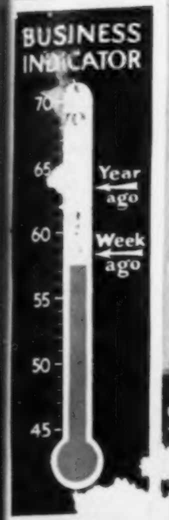
SEPT. 8
1934

BUSINESS WEEK



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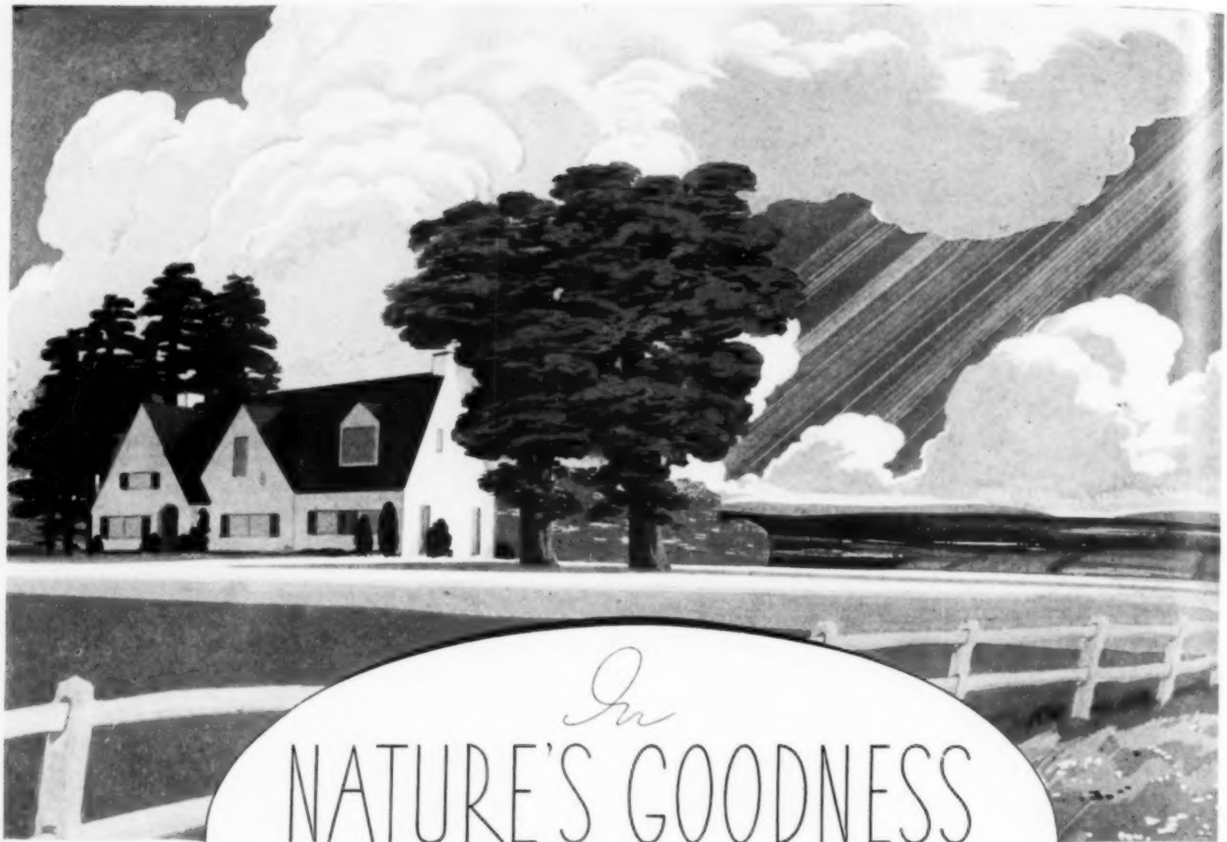
CENTS

LABOR REFEREES—On the desk of Edwin S. Smith, Harry A. Millis, and Chairman Lloyd Garrison (right)—the National Labor Relations Board—lies the toughest problem raised by the "new deal for labor", audited in this issue.



In
NATURE'S GOODNESS
lurks
TREACHERY!

NATURE is exceedingly generous in giving. She sends gracious sunlight to give life and warmth, gentle rain to nourish and sustain, fair wind to cool and refresh.

To this generosity of nature, all living things owe their existence. Yet in this very goodness there is treachery. For Nature inflicts a stern penalty on many of the things man builds.

Your home, for instance. The sun's rays, the moisture in the rain and in the air, the beat of the wind—all combine to attack the paint on your home and the framework underneath.

For years, du Pont chemists sought to develop paints that would protect the home against the onslaughts of weather, of changing temperatures, of dust and corrosion, of time itself. They succeeded. Today, du Pont offers Paints that resist the attacks of weather and retain their beauty longer. And in addition, there are du Pont Paints and Varnishes and Brush Duco to beautify and protect the interior of the home.

These services to the home are only a few of the many achievements in du Pont history. In seeking finishing materials of greater service value for both industry and home, du Pont chemists have been responsible for many of the major developments in finishes in the past ten years.

You know about Duco for automobiles, of course, and Automotive Dulux. And Dulux Marine Finishes for boats. Dulux Mill White for mill interiors. Dulux for refrigerators. In fact, there is a more lasting, more economical, more beautiful du Pont Finish for every purpose. E. I. du Pont de Nemours & Co., Inc., Finishes Division, Wilmington, Del.

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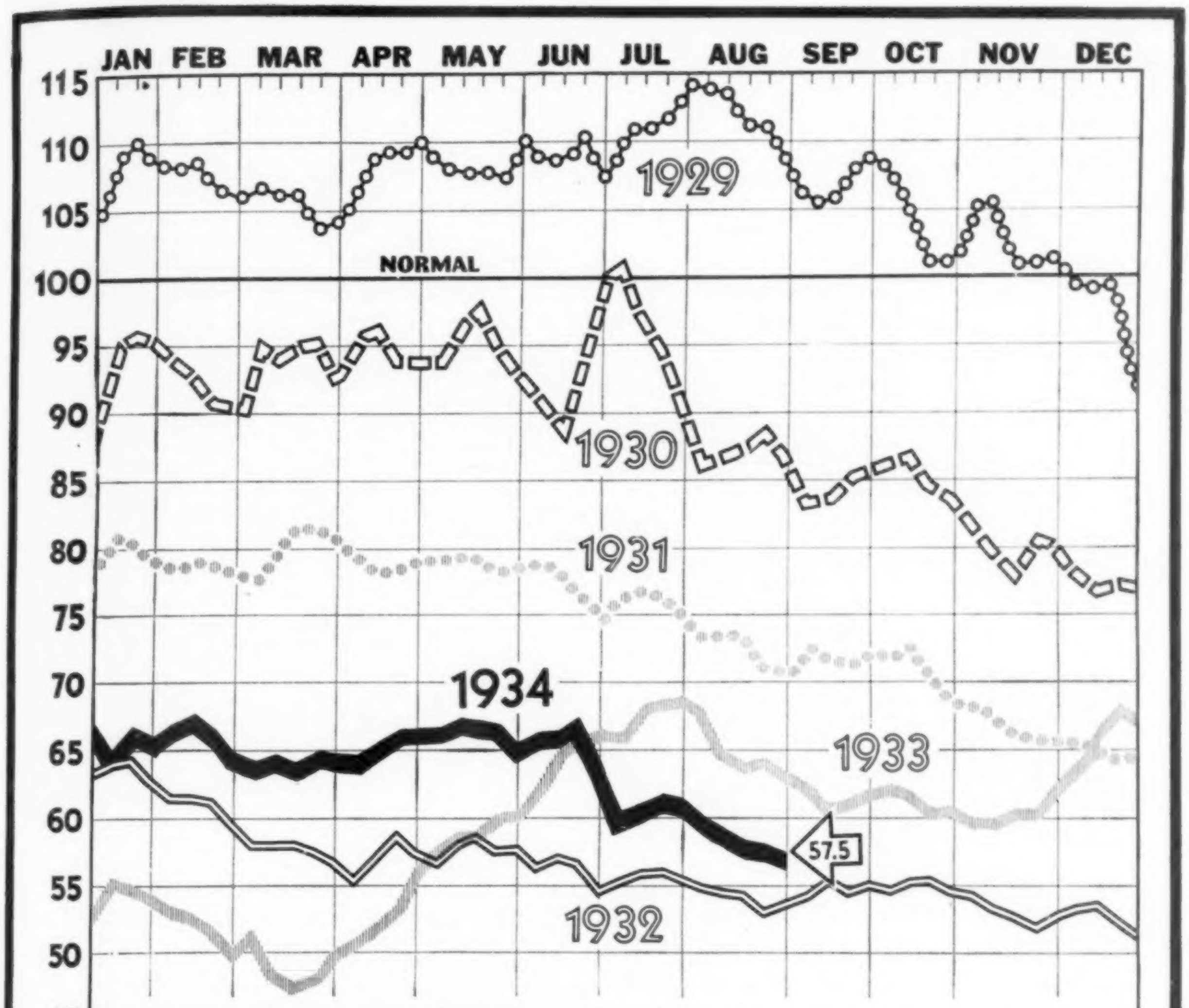
BUSINESS WEEK (with which is combined The Magazine of Business) September 8, 1934, No. 262. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; B. R. Putnam, Secretary. $5.00 per year, in U.S.A. and possessions; 30 shillings per year in all foreign countries. 20c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A. Copyright 1934 by McGraw-Hill Publishing Company, Inc.
Printed by The Schweinler Press, N. Y.



BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	Preceding Week	Year Ago	Average 1929-33
	*57.5	58.1	63.2	76.8
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	18.4	19.1	42	45
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$4,125	$4,040	$3,651	$10,281
★ Bituminous Coal (daily average 1,000 tons)	*1,033	962	1,292	1,298
★ Electric Power (millions K.W.H.)	1,627	1,648	1,637	1,638
TRADE				
Total Carloadings (daily average, 1,000 cars)	101	100	106	134
★ Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars)	64	64	65	86
★ Check Payments (outside N. Y. City, millions)	$2,703	$2,997	$2,571	$3,774
★ Money in Circulation (daily average, millions)	$5,368	$5,361	$5,325	$5,071
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.06	$1.07	$.86	$.76
Cotton (middling, New York, lb.)	$.133	$.134	$.093	$.112
Iron and Steel (STEEL, composite, ton)	$32.17	$32.22	$30.27	$31.79
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.088	$.101
All Commodities (Fisher's Index, 1926 = 100)	70.7	78.5	70.8	76.6
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,464	$2,461	$2,282	$1,634
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$17,708	$17,725	$16,607	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,555	$4,543	$4,767	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,247	$3,271	$3,766	......
Brokers' Loans, N. Y. Federal Reserve rep't'g member banks (millions)	$793	$810	$881	$2,379
Stock Prices (average 100 stocks, Herald Tribune)	$96.49	$97.48	$102.63	$136.36
Bond Prices (Dow, Jones, average 40 bonds)	$92.73	$93.27	$87.09	$90.33
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	0.9%	2.9%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾-1%	¾-1%	1½%	3.0%
Business Failures (Dun and Bradstreet, number)	202	218	311	426

* Preliminary ★ Factor in *Business Week* Index

There's no moratorium on this debt!

A Fact: Rust exacts a toll estimated at a billion dollars a year from property owners of the United States. Industry's share is conservatively estimated at half this figure.

A Caution: The field for ferrous metals is necessarily and justifiably large, BUT—misapplication of ferrous metals where Copper and its alloys would serve many times longer accounts for an appreciable part of the rust toll

An Illustration: A laundry owner purchased a new storage water heater in 1926. The day this heater was installed it started to rust; in 1932 leaks developed and repair welds were made. The following year, welding again stopped the leaks... but only temporarily; then the 7-year old heater was condemned. Today this same laundry is served by a heater of strong, rustless Everdur Metal. The owner had learned that undue "skimping" on first cost may ultimately prove the height of extravagance.

A Suggestion: In the building field, Copper, Brass and Bronze, on the basis of service per year per dollar, have economically replaced *"rust-resisting"* metals for flashings, gutters, pipe, screening, water tanks, etc. In industry, where local conditions of rust and corrosion are frequently even more severe, Copper and its alloys are doing their job well—paying for themselves many times over by affording absolute FREEDOM from rust.

An Invitation: Copper and its alloys are offered as a means of reducing your contribution to the costly and partly preventable toll which rust imposes on Industry. May we serve you?

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The Business Outlook

TRADE observers are telling us again that however dull business may be at the moment, it is considerably sounder than a year ago when productive activity ran high, consumption low. Unfortunately most industrial leaders fail to take heart at the pronouncement of "fundamental soundness," seem to have a hankering for a little more volume even at the expense of some soundness.

At least, enthusiasm runs high when the wheels are turning and few think of the morrow's lack of ability to consume. Not that we can consider last year's or this year's output excessive relative to need, but some of our leading industries stepped up operations a bit too rapidly relative to expanding purchasing power. For though employment and payrolls have been on the rise in the past 17 months, circumstances have prevented the fattening of the individual pay check. Hence the difficulty of selling goods at higher price levels and a belated realization that volume will have to be achieved by pushing low-priced lines, at least until the industrial machine gains the momentum that will enlarge the weekly earnings of the average worker.

Textile Strike New Concern

With drought fears calmed, assurance that farm income as a whole will be higher than last year by at least $1 billion, Western industrial strife allayed, attention reverts to the Eastern seaboard and is focused on the textile difficulties. Despite the unwillingness of employers to admit as extensive a walkout as labor claims, there is no doubt that the strike is broad and serious. Cotton, silk, and woolen mills have little to lose as far as markets are concerned. The strike merely serves the purpose of reducing heavy stocks, strengthening the price level, a feat not fully accomplished by the summer curtailment program. Industry is watching to see what hand the mediation board will take toward settlement; whether it will favor the demand for shorter hours proposed recently for the garment industry. The trend toward shorter hours in codes appears well established, with some 13 codes covering over a million workers providing for less than 40 hours per week. The big question remains whether shortening the hours actually increases employment or speeds mechanization of industry.

NRA Changes Considered

With less than a year to go before the Recovery Act expires, the opposition of industrial and political leaders is already crystallizing. Formation of the Liberty League is one symptom of discontent. Steel and motor industries are opposed to the growing strength of the A. F. of L. unions under the codes, and are not likely to look favorably upon the Houde case decision, which adds strength to the majority rule policy. Boot and shoe manufacturers want all sections of the codes abolished, except those controlling maximum hours, minimum wages, and child labor.

Steel Whittles at Costs

Lean pickings for the steel industry since last June's feverish activity induced the U. S. Steel Corp. to recommend to its subsidiaries that the 5-day week be established for many of its salaried workers, and that salaries be cut accordingly. A number of companies have already made such adjustments. The Steel Corp. hopes to save over $4 millions a year by this means, the industry as much as $10 millions.

But the cost reduction program comes too late to improve third-quarter earnings to any degree. Operations in the first week of September dwindled to 18.4% of capacity for the 5-day week excluding Labor Day, which isn't far from the depression bottom. Nor is there expectation of any rapid revival of demand this month. The bulk of business is likely to be small orders to fill gaps in stocks. The industry is especially concerned with the stability of prices for the fourth quarter, whose testing will commence in September.

Ford Plans Disconcert Motors

In this connection, the move of Ford to erect a steel plant sufficient to provide material for 3,000 cars a day comes as a threat. Expenditures of close to $13 millions are contemplated which are expected to make Ford independent of the steel mills, a unique position for the motor maker. The industry wonders if the new mill is to be operated continuously, or only when steel prices displease the seer of Detroit. It marks a definite step in the direction of cost reduction of a popular manufactured product, a step not to be ignored by other automobile producers or the steel industry.

The step is not conducive to formulation of plans for the 1935 motor season, rather tends to further delay new presentations. Production fell sharply in the holiday week when plants were closed and schedules reduced. Retail sales were reported to have shrunk in the last half of August, and motor manufacturers are excessively sensitive to sales returns. July passenger car registrations were the best in 4 years, even gained 2% over the excellent June totals and 23% over a year ago. In 7 months, 41% more passenger cars were sold than during the same period of 1933, and 88% more trucks.

Labor Also Troubles Motors

Automobile production will taper in September unless the public stages another surprise. October is expected to be a very lean month, with new model assemblies being delayed until the middle of November. Since the automobile code was renewed without modification until Nov. 3, it may be to the interest of the industry to hold off new models as long as possible. If controversy should arise in November on the clauses disliked by labor, it may be desirable to keep the 1935 program in abeyance.

Coal production began its seasonal rise in late August, but the Labor Day holiday will cut into the current week's figures. Electric power production has been declining since the heat moderated, reducing demand on cooling equipment. Spurred by TVA's insistence on lower-priced products, the electrical appliance industry is preparing to make a strong bid for volume sales. Prices for refrigerators, ranges, washing-machines are well below previous years' levels.

Fall Trends Materializing

Carloadings turned upward slightly in the week ending Aug. 25, due chiefly to heavier coal loadings. Compared with last year, the showing is still unfavorable and will add fuel to the railroads' pleas for higher rates in the Oct. 1 hearing. Check transactions in the 140 cities outside of New York City are holding above the levels of the past 2 years. Slow speculative activity affects the great Eastern financial center. Judging by currency circulation expansion of the past 5 weeks, fall trade is coming along in customary fashion. Commercial loans have been on the rise for 6 weeks, being $116 millions larger in reporting cities at the close of August than mid-July.

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Signposts pointing to violence in the textile strike of a scope and character calculated to shock the country, probably compelling federal intervention of a type that would alienate both radicals and conservatives, forced President Roosevelt's hand before the strike was 5 days old. His announcement of a mediation commission surprised everyone in view of clear intimations for weeks during which the strike was brewing that the Administration was hands off. Washington now expects the strike to be settled by compromise within a few weeks, during which the fact that mediation is in progress will have a tendency to discourage overt acts.

A Two-Edged Sword

Presidential action is a two-edged sword so far as union leaders are concerned. It will enhance their prestige and probably their membership on the one side and it will lessen their hope of gaining full union recognition on the other. The good side from their standpoint is that, with the prospect of speedy settlement by compromise, many workers will join the strike who otherwise might have stuck to their jobs on account of their personal necessities. The bad side, information here has it, is that the "compromise" will probably take the form of correcting whatever abuse of the stretch-out system may be found, but will not force further union recognition.

Ford Cuts Steel Salaries

The salary cut in the steel industry is blamed more on Henry Ford than on politics by Washington commentators. No one here regards the allegation that the steel magnates are conspiring to obtain a conservative House of Representatives in the election with any seriousness. But the fact that earnings are not very hot, and that Ford is starting construction of his own plant, which will deprive existing steel plants of a very fair fraction of their present market, is most disquieting.

Arms and Business

Grave fear of future consequences flowing from the present investigation of the arms traffic is felt by high Army and Navy officers. They point out that the new "exposures" that munition makers in this country actually tried to sell their wares abroad, even to the extent of aiding their customers to obtain credit, and sometimes influencing the individuals with whom they dealt by bribes, is quite likely to bring some drastic governmental restrictions on arms exports. The inevitable result of this, they figure, is that the world's arms will be made in other countries. In some war a few or many years hence, the United States will find itself, they point out, very much handicapped in supplying its fighting forces.

> **THIS WEEK**
>
> ***How events forced the President's hand in the textile strike situation.***
>
> ***Possible repercussions of the armament investigation.***
>
> ***A bureaucracy grows.***
>
> ***Sales tax prospects.***

Our $44-Billion Banks

Insurance of bank deposits has made possible for the first time a complete statistical picture of the commercial banks of the United States. Based on reports of condition as of June 30, the Federal Deposit Insurance Corporation shows that the total assets of the 13,867 insured banks and trust companies were $43,373,126,000. Only 1,164 commercial banks are uninsured. Their total deposits were $550,964,000, but 12 uninsured banks had $216,631,000 of that total of deposits. A highly significant figure is that the insured banks carried $10,295,709,000 in U. S. government securities, over 60% of all their investments. Total deposits of $35,766,394,000 are $10 billions less than in 1929, but are nearly $3 billions higher than in June, 1933.

Coal Dealers Rebel

Even with General Johnson out of town, NRA cracked down in approved style on the retail solid fuel code authority which resigned because its methods of computing costs and setting local prices had to come to Washington for approval.

"Self government by industry is a privilege which can only be exercised so long as the agencies operate in consonance with the interest of the public," said the NRA reply accepting the resignations. The issue was considered extremely critical. The leadership long wanting for rebellion against Washington domination of code activities seemed to appear in the retail solid fuel group.

Tools for the Army

Machine tool builders are expected to back up the request of the Army Air Corps for $2,300,000 of PWA money for new equipment, as over half the requirements to be purchased with the money are their products. With government officials concerned with machine tool trade predicting that federal purchases are all that the industry can expect this winter, several other bureaus of Army and Navy are expected to come through with PWA "modernization" requests.

NRA Loses Business Men

NRA is marking time, doing little excepting change deputies from men skilled in their industries to men who know little or nothing about them. The drive on men of independent means who "don't need those jobs" has eliminated virtually all the outstanding business men who formed the original inner circle of NRA in its formative days and the danger of NRA's becoming definitely a government bureaucracy is approaching realization. The coming revision of the whole plan, to be settled this week at Hyde Park, has created such uneasiness in NRA personnel that work has virtually stopped, except for routine matters.

Milk Prices Again

AAA is planning another attempt to get somewhere with the milk situation, in which it failed so lamentably last winter. This time the attempt will be to fix maximum resale prices, with a margin between prices paid producers and that charged consumers large enough to permit competition.

What to Tax?

Washington now learns that the Administration expects to ask Congress for new taxes next winter intended to raise $500 millions per year. Speculation at once suggests all conceivable sources but informed thoughtful students believe only a general sales tax will produce so much revenue with certainty. All the old class controversies would be involved but in a year when neither Congress nor the President faces election, there is some chance of securing favorable action. Greatest fear of conservatives is that opening sales tax questions might more sharply formulate issue between human rights and property rights with repercussions upon the 1936 elections that would not help business.

CODE
GRAPHIC ARTS INDUSTRY
BUSINESS WEEK
SEPTEMBER 8, 1934

Fall Upturn Prospects

Those who have been measuring the empty spaces of retailers' shelves and counting the increased dollars in consumers' pockets may furnish the confidence which is the third requirement for a fall pickup.

BUSINESS starts the fall term in a discouraged and disheartened mood. Pessimism has intensified to a point where it seems worth while to examine the basis for apprehension and discover whether the very preponderance of uncertainties may not be concealing significant constructive elements in the situation.

Hopes of a "good fall upturn," so confidently expressed at the start of the summer slump, seem now to be generally abandoned. This is the common psychology of the summer low point in business and morale, and this year a number of factors accentuate the gloom. Chief, of course, is wide dissatisfaction and nervousness over Administration policies. Business is full of fears of monetary developments, of restrictions on profits, of future tax burdens. It dislikes the vacillating price policies of NRA. It believes labor conciliation has been ineffectual, indeed it thinks the Administration policies actually have encouraged labor disturbances.

The Money Jitters

It was because of this frame of mind that there was so much excitement over recent happenings in the financial markets—incidents that in a different atmosphere would have attracted routine attention. It is the distrust and fear of monetary policies that has been built up that made the business community almost panicky over the recent exchange flurries, the weakness in government bonds, and the developments in government silver policy.

Labor strife, always disturbing, is the more so just now because so much of it has mysterious origin in union politics, rather than in clear-cut issues of hours, wages, and working conditions. The business man feels helpless to guard his establishment against the strike epidemic when whatever he does toward good treatment is no insurance against men's going out over a union political issue.

Charges and counter-charges of a political campaign have not helped to quiet the atmosphere and the impending elections would prevent Washington from outlining its plans for the future of business had it any disposition to do so. The opposition must not be given more tangible targets for attack.

Within business itself there are apparent reasons for the new pessimism, yet it is an appraisal of business factors which gives encouragement to the near-term outlook, at least for mercantile lines, and it is commerce which originates and sets the pace for business at this season of the year.

Production and wholesale trade have gone through two distinct spurts since inauguration of the New Deal and in each instance the mark has been overshot. That is, production has gone too far beyond consumer demand, leaving trade channels clogged with inventory and making it necessary to curtail activities until goods moved on into consumption.

International News

DANIEL W. BELL—The new Director of the Budget takes over from Lewis Douglas the ungrateful job of bearing down on ordinary expenses. Mr. Bell has been with the Treasury Department since 1911.

The first spurt was clearly marked in the late spring and summer of 1933. It took consumer purchasing power until Christmas to absorb the goods made in anticipation of higher costs and prices.

These stocks were probably about cleared up when the second spurt in production came last spring. While less discernible, because not yet subject to complete statistical confirmation, it now appears that production again was sustained sufficiently overlong so that the rest of this summer was devoted to clearing shelves too heavily loaded.

Retail Sales Held Up

Fortunately, retail sales stood up well until late summer. Contrasting with the sharp curtailment in production, this has evidently enabled merchants again to clear their shelves, although at price inducements that cut into regular markups.

Most recent actual figures on commodity inventories are for June 30, but a comparison between that date and one and two years ago discloses that liquidation continued through both years in most items. Exceptions are in lumber, rubber goods, and textiles. Projection of this general shrinkage through July and August with curtailed production and steady consumption provides an impression of the favorable stock situation currently prevailing. Percentage changes in stocks on hand as compared with June 30, 1934, follow:

	June 30, 1932	*June 30, 1933*
Department Store Stocks (adjusted for price change)	—16.2	—10.8
Total Domestic Stocks	— 3.6	— 1.5
Manufactured Goods	+ 3.8	+ 6.9
Chemicals	— 6.8	+ 2.8
Food products	— 3.1	—12.8
Forest products	+22.3	+22.3
Iron and steel	— 7.8	— 8.6
Leather	— 4.8	— 2.5
Metals, nonferrous	—29.2	—22.7
Paper, newsprint	—32.4	+ 9.5
Rubber	+75.9	+37.8
Stone, clay and glass	—11.7	+ 3.2
Textiles	+107.6	+56.2
Raw Materials	— 7.5	— 6.3
Chemicals	— 3.3	+ 1.1
Foods	— 3.6	—14.3
Metals	—21.1	+15.5
Textiles	—11.6	0

The retailer who would normally have been ordering fall stocks in July and

August had cold feet because of two disappointing experiences with anticipatory buying. He watched his daily sales reports dropping, noted dwindling employment and payrolls, drought, strikes, big relief burdens confronting his community. That will explain reports coming from the wholesale districts that buyers have little more than sampled fall lines.

But in such a situation there is high promise of reorders if consumer buying materializes in more than bare minimum. It carries connotation of sustained wholesale volumes and manufacturing during the immediate future months, its proportions determined by consumer demand.

With the range of vision thus shortened to prospects of the immediate business in consumers' goods, the vital question becomes—What of consumer buying power?

According to the Secretary of Labor, payroll disbursements to workers in private industry are running currently 16% above a year ago. Adjusted to account for a better than 5% increase in cost of living, a net gain in purchasing power of 10% would be indicated. The actual dollar gain is estimated at $41 millions weekly.

Payrolls on government projects are running $60 millions monthly, the greater part of which is net addition since a year ago. Relief expenditures are averaging another $60 millions a month higher than last year.

The farmers' purchasing power, estimated to be 20% better than a year ago, is reduced to a 10% gain by the increased cost of things purchased by the farmer.

These factors hold out prospects of fall business as good as, or better than last fall's.

Textile Mediation

In moving into the textile strike, the Administration may shove aside the recognition issue.

Recognition of the public interest succeeded recognition of the union as the paramount issue in the textile strike this week. It had been evident that it would ever since the first rumors of violence had begun to seep into Washington and the communiqués from both sides had revealed through a maze of contradictions that neither was going to force a quick decision. Even before the strike, there was some betting that Presidential intimations of a hands-off policy were only intended to prevent misuse of the government prestige by strike leaders while still recruiting by propaganda and maneuvering for advantage.

Announcement of a textile labor board, following the design of governmental intervention in the steel labor dispute and the Coast port strike, came quickly after the textile forces had engaged, the lines of battle had been set in the open and the primary question had become, "What about the rest of the country?"

Unions Weigh Effects

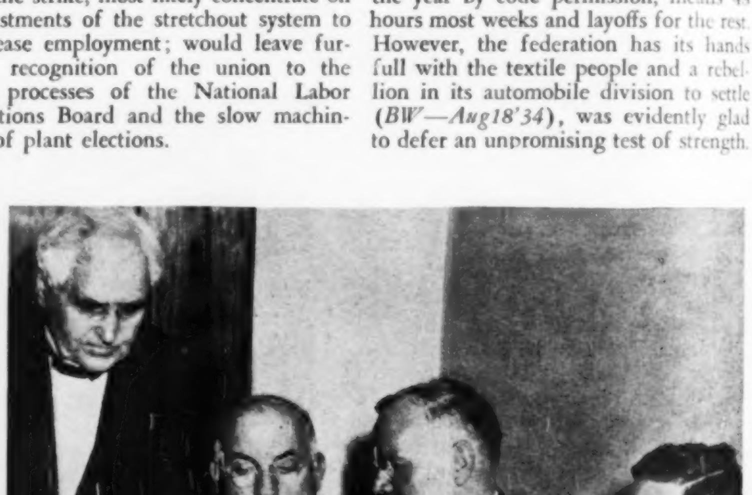
Even then the unions were in a position to make capital out of Washington's move since intervention seemed to promise a short strike ending in a compromise settlement and that promise might be counted on to bring into their ranks workers who had flinched at the prospect of a long layoff. On the other hand, union leaders faced the probability that the compromise would ignore their most important issue.

Precedent indicated that the interest of the President and his board would turn to the economic reasons advanced for the strike, most likely concentrate on adjustments of the stretchout system to increase employment; would leave further recognition of the union to the due processes of the National Labor Relations Board and the slow machinery of plant elections.

There were indications of this in the NLRB's open letter to the President on Wednesday asking him to appoint a special board to handle the textile situation, defining its own chief job as interpreting collective bargaining questions under NIRA's Section 7-a and adding that "as a semi-judicial body, it is desirable that we be as far removed as possible from direct participation in controversies over some aspects of which we may at a later date be asked to sit in judgment."

Trouble Deferred

While the Administration was moving cautiously into the textile mists and listening to thunder on the left, where garment code workers were talking strike to "enforce" the President's order cutting garment code hours and raising wages (*BW—Sep1'34*), another cloud was dropping below its horizon. Extension of the automobile code for 60 days, to Nov. 3, avoids trouble at a bad time—though three days before election could easily be a worse one. The extension keeps alive the motor industry's unique "merit clause," which flaunts the employers' independence in union faces, and leaves in midair the American Federation of Labor's plaint that the 40-hour week, as averaged throughout the year by code permission, means 48 hours most weeks and layoffs for the rest. However, the federation has its hands full with the textile people and a rebellion in its automobile division to settle (*BW—Aug18'34*), was evidently glad to defer an unpromising test of strength.



Underwood & Underwood

ON THE LABOR FRONT—Conservative American Federation of Labor heads work with United Textile Workers leaders in organized labor's drive for dominance in the textile industry. Here President William Green (A. F. of L.) outlines a maneuver to President Thomas F. McMahon (United Textile Workers), while Frank Morrison (left), A. F. of L. secretary, and Francis Gorman (right), U.T.W. vice-president, listen in. Gorman heads the textile strike committee.

Acme

INDUSTRY'S SPOKESMAN—George A. Sloan, president of the Cotton-Textile Institute, which has strongly opposed union efforts to force up wages and get a firmer grip on cotton labor, gives reporters latest developments in employer ranks.

Majority Rule

Labor Board's decision that minority employee groups must leave collective bargaining to majority makes important reservations.

"EMPLOYEES . . . . shall be free from the interference, restraint or coercion of employers of labor, or their agents, in the designation of representatives or in self-organization, or in other concerted activities for the purposes of collective bargaining or other mutual aid or protection." So says Section 7-a of the Recovery Act.

This week industry was facing the fact that the National Labor Relations Board had apparently included in the "interference" thus prohibited any employer's insistence on bargaining with minority groups of his workers where a clear majority of them were demonstrably united in one group.

Two Reactions

This long-awaited affirmative decision on the question of whether representatives of a majority of employees may act as the exclusive collective bargaining agency of all employees either "puts sense into collective bargaining" or "virtually nullifies" that process, depending upon whom you listen to. Within its limits, it is final, short of the courts, but its limits may be narrower than hasty praisers and damners have noticed.

For one thing, the "clear-cut" case which brought the decision may have been too clear-cut. The Houde Engineering Co. of Buffalo, N. Y., had hatched an A. F. of L. union and "with its moral blessing," a Houde Welfare and Athletic Association. With 400 not voting, a test of power last March had given the former 1,105 votes, the latter 647. Since then, the company had insisted on meeting alternately with committees of each organization. The Labor Board was satisfied that it discussed wages, hours, and basic working conditions—"the recognized subjects of collective bargaining"—with neither of them and that the only results were to prevent any arrival at collective bargaining, to produce friction between the leaders of the committees, to confuse the employees, and to maintain a permanent and artificial division within the ranks. The decision adds that the company admits it intended to make no collective bargaining agreements covering terms of employment for definite periods.

Given this kind of a case and the conviction that the Recovery Law was enacted to promote the making of such collective agreements, with "collective bargaining" simply the means to that end, it was fairly inevitable that the board should have found that Houde's solicitude for its minority "resulted, whether intentionally or not, in defeating the objects of the statute," constituted interference.

However, while a company presenting evidence of earnest efforts to engineer definite agreements with majorities and minorities might have made a better case, it is apparent that the board is highly dubious whether any such efforts could result in more than the defeat of the objects of the statute. From what it says, the majority rule issue seems to have been settled—short of the courts.

Motor Plan Stands

But the decision is self-limiting in highly important ways. One concerns the automobile industry. While the board points out that any agreement by proportional representation would have to be satisfactory to a majority anyhow, it adds that a majority can obviously set up any plan of representation it desires. And it states rather specifically that the proportional representation plan agreed to by both parties in the automobile dispute is not affected by this decision, thus opening the way to further agreements of that kind. Another point, emphasized as a warning to union agitators, is that the decision does not compel employees to join the majority group, nor establish the closed shop.

A point that may prove troublesome is made in the statement that no rule is laid down as to what should constitute the proper unit for representation—whether it should be the plant force, or separate crafts or groupings operating within a plant. This seems to make fighting ground of each distinct craft or job division in a diversified plant.

Majority Must Act

Furthermore, the decision does not commit the board where a majority group imposes rules of participation which exclude certain employees whom it purports to represent or where an election of representatives gives no clear majority to any group—which may also limit A. F. of L. rejoicings. On the other hand, there is a fair warning to "company unions" that if they represent majority groups and take no steps toward collective bargaining, a minority group—possibly an "outside" union—might justly ask the board for relief.

The decision has been followed by hosannas from the A. F. of L. whose spokesmen apply it immediately to the Kohler dispute, in which they held that the union must do all the bargaining, ignoring the fact that no election of representatives has been held at Kohler. It has also been followed by the denunciations of the National Association of Manufacturers. However, even manufacturers who are worrying about how it will be used by union organizers are also noticing that it will go directly against the interests of the "outside" unions in those increasingly numerous cases where the company union musters a majority of employees.

Coal Flare-up

National retail coal authority resigns en masse, charging NRA has arbitrarily altered cost-determining provisions of its code.

THE national code authority of the retail solid fuel (coal) industry translates its dissatisfaction with Washington's administration of NIRA into irate locomotion and walks out in a body. The blanket resignation has been accepted with no expressed regrets but with the warning that the code still is in full force and that local authorities continue to function. Further, NRA harpoons the departees with a reminder that industrial self-government may only be indulged in so long as its agencies operate "in consonance with the interests of the public."

Following hard on the heels of the cotton garment industry's refusal to accept a Presidential order altering provisions of its code, the coal authority's action becomes a second major eruption of subsurface unrest. The cotton garment industry denied the authority of the President to cut working hours 10% and boost wages by approximately the same proportion (*BW—Sep1'34*); the retail coal action is a revolt against NRA orders, affecting the adoption of minimum prices, which are alleged to be modifications of the code without the industry's consent. Both collide with the provision of the Recovery Act which plainly gives the President authority to alter a code without consulting the industry affected. Here is an issue on which industry and government will continue to divide. The sooner it is dragged into the open for final decision by the courts, the better it will be for all concerned.

The retail coal folk boasted that they had as many price chiselers in their ranks as any business. Against these they wanted a price-fixing provision in their code. A compromise finally adopted allowed divisional authorities to declare emergencies in their districts when ruinous price-cutting could be proved, and enabled them to set "reasonable costs" (capital and profit items were ruled out) below which nobody could sell. This is the vital provision of the code. The industry expected from it price protection which would allow the raising of wages and the reduction of hours. Without it the code would have been refused.

Issue Left Hanging

Like most compromises, the cost-fixing provision did not settle the issue; it merely postponed a showdown. NRA and the industry soon locked horns over the method of determining an emergency and the final authority for OK'ing reasonable costs on which retail prices may be based.

The code specifies that the divisional code authority "after a full hearing upon notice to all known interested parties" shall decide whether or not an emergency exists. Resigning members of the national authority charge that the NRA Division of Planning and Research sought to violate the wording of the code and to specify a method of its own for determining emergencies. The division ruling demanded a petition of 75% of the industry by volume and covering a substantial and representative number of smaller retailers. It is claimed that this substitutes a count of noses for a determination by facts. If chiselers could outvote conforming companies by volume and number, they could defeat the declaration of an emergency.

The code says that cost determinations shall "promptly be approved or disapproved" by the administrative appointee on the divisional code authority, and upon approval shall become effective, "subject to the right of the administrator to approve, disapprove or modify the same." On July 25 the industry was disturbed by an NRA order requiring divisional administration members to withhold approval of cost determinations until the Planning and Research Division reviewed them and the administrator acted. It is charged that delays resulting from this order threaten the collapse of the entire code. Delay is especially irksome at this time when the industry is preparing to meet fall and winter demand.

Thus the quarrel boils down to whether these "reasonable costs" shall be fixed by the local code authorities or by NRA authorities in Washington. The clash is between the industry, seeking prices that will enable it to meet NRA labor costs, and Washington, suspicious in behalf of consumers, of prices so fixed. Divisional code authorities have been going ahead with these cost bases for areas where they had decided emergencies existed. In 108 localities such rates have been established and after 35 days, not one has been approved by Washington.

Chiseling Charges

The late members of the national retail authority protested that chiseling was rampant and that efforts against it had received little or no help from NRA compliance boards. While chiseling is admitted in many districts, it is worse in large industrial areas near mines. Coal is trucked in and sold without regard to code agreements. One of the sore spots has been St. Louis which is within handy trucking distance of Illinois soft coal fields. Chiselers were quoting 75¢ per ton under code prices. An emergency was declared and "reasonable costs" determined by the local authority. But at an NRA hearing on the matter in July the government had some caustic things to say about the statistics and cost accounting used.

As a climax to the long wrangle Washington threatened to issue a stay on pricing provisions of the code. Following this the national retail solid fuel code authority put on its several hats and marched out of office. It is Washington's move.

International News

ON THE MARCH—Labor Day was labor day this year. Here are striking Southern textile workers parading through Gastonia, N. C.

INTERNATIONAL

INTERNATIONAL TRUCKS

Appearance for Prestige
Performance for Profit

Good looks in a truck are vitally necessary these days. Whether your business is one of national importance . . . or important chiefly to you . . . your truck or trucks should add definitely to your prestige. Internationals do that and more! In an International Truck, beauty is not just body-deep. Anyone who has the knowing eye for mechanical details can find plenty of practical beauty under the hood and underneath the paint to account for economical operation and rugged truck performance. The Harvester Company invites you to subject any International Truck to the most rigid examination, knowing that the deeper you dig the deeper will be your admiration for the truck and its maker. Sizes from ½-ton up, chassis f. o. b. prices from $390 up, at all International branches and dealers. International Harvester Company of America, Inc., 606 S. Michigan Ave., Chicago, Ill.

Illustration shows the New Half-Ton International

Range Taps New Market

Westinghouse offers full-size model for $61.25, less than half last year's lowest price.

WESTINGHOUSE goes after the mass market in earnest with a full-sized range at $61.25 and a water heater at $57.30. The lowest priced range Westinghouse offered in 1933 sold at $130; its TVA model sells at $77. Of course, the new range will promptly go into TVA territory wearing the hand and thunderbolt emblem.

There are 8 million wired homes in areas with favorable rate structures (3¢ kw.hr. is the dividing line) yet in 20 years only 1,200,000 electric ranges have been installed. That covers 15% of the 8 million homes, leaves 85% to be sold. Governmental statistics show 85% of the families in the country have incomes of less than $2,000. This is, of course, no mere statistical coincidence. Westinghouse has made the first real bid for an estimated potential 6 million sales in low income brackets; other manufacturers undoubtedly will follow.

The new range is as good as 1933 models costing more than twice as much. No electrical part has been cheapened. Heating units and switches are the same as in the most expensive models. The thermostat "tunes" like a radio dial; operates without a relay, using the "watchman disc" that is in Westinghouse refrigerators. That is one economy. Others are: welded construction throughout (the only screws and nuts are those that bolt the legs in place); 50 parts as against some 300 in previous models; a new Du-lux finish put on at 350 degrees, which is the highest temperature yet used for such lacquer; "Sanalloy" finish on the unlacquered parts.

There are two 6-in. 1,000-watt cooking units, one 8-in. 1,800-watt. The oven is full-size (16x14x18½) and is porcelain-lined. Insulation is the same as in all Westinghouse ranges—1½ in. rock wool. The new finish has more than cheapness to recommend it; it will not chip like enamel, can be restored in case of damage with a 25¢ can of lacquer and a 10¢ brush. The "Sanalloy" metal finish looks like brushed metal, or unpolished monel.

Westinghouse estimates that where 3¢ electricity is available, cooking for a family of 4 on this range will cost $3.60 a month. The new range, by the way, can be lined up with the chest-type refrigerator. Also, in cramped kitchenettes the cooking units can be mounted on top of the oven, and the legs dispensed with.

Westinghouse statistics hounds say there are 10½ million gas ranges in use, 500,000 of them 20 years old and 6 million 10 years old. There are 15 million coal or wood ranges in use, some 3 million 20 years old, and 9 million 10 years old. Gas, coal, and wood cookstoves and ranges together sell at the rate of about 1 million a year, which is about what the electric range has done in 20 years.

The new range is a genuine production job. Sales must run 175 a day to break even at the list price. Incidentally, the quoted price is based on full distributor and dealer discounts. TVA models call for a short profit.

Business Week

MASS MARKET RANGE—Here is the first real bid for volume sales of ranges. Turned out by Westinghouse, it sells for $61.25, less than half that company's lowest-price 1933 range. Westinghouse's Reese Mills (right) explains its features to Director Louise Stanley, Bureau of Home Economics, Department of Agriculture.

New Cigarette

"Moisture-proof paper" puts a new selling point in the smoke competition.

ALONG with a new brand name, where there have been so many, Penn Tobacco Co. is bringing a new sales point into that cigarette competition which already bristles with so many bright sales points. For its Kentucky Winners, buyers will pay the familiar 15¢ for 20, get the conventional paper-in-Cellophane package (with a horse-racing scene as an appropriate label motif). But, says the manufacturer, they will also get a moisture-proof paper designed to eliminate soggy tips—or a resort to cork, straw, or ivory ones. Additional argument, of course, is that a paper which will hold moisture out will also hold it in, prevent tobacco from deteriorating.

Part of the news here is that Penn Tobacco Co. has turned to an American manufacturer for the paper used in Kentucky Winners. The French have had more or less of a monopoly on cigarette paper and there have been claims that they alone could make one fine enough to prevent its affecting the flavor and aroma of the tobacco. These claims have been challenged by American aspirants (*BW—Nov18'31*). Peter J. Schweitzer, Inc., paper makers of Jersey City, N. J., added the moisture-proofing feature to the challenge. Hence Kentucky Winners.

The manufacturer reports heavy initial sales of the new brand, says curiosity buyers are coming back for more.

Burroughs

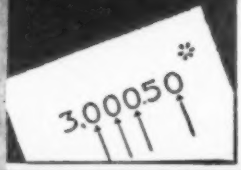
IT SUBTRACTS
AS EASILY AS
IT ADDS

Try this new Burroughs. You will like its speed . . . its simplicity . . . its ease of operation. It handles almost one-third of the work automatically. See how much faster you can list, add and subtract amounts by using the short cuts offered by the standard visible keyboard. There are 90 different models—a size and style to meet any particular need, at surprisingly low prices. Telephone the local Burroughs office for a demonstration. Or write direct for free, descriptive folder.

BURROUGHS ADDING MACHINE COMPANY • DETROIT, MICHIGAN

OTHER ADVANTAGES OF THIS NEW ADDING MACHINE

NO CIPHERS TO WRITE



Burroughs prints ciphers automatically. There is no cipher key. As figure work averages 30% ciphers, almost one-third of the figuring is done without touching a key.

SEVERAL KEYS AT ONCE

You can touch two or more keys at once. For example, you write 4.67 with one stroke—not three; 77 with one stroke—not two; 5,870.00 with one stroke—not six.

PRINTS TOTALS INSTANTLY

To take a total, touch the total key. This one, single motion—not two or three motions—operates the machine and also prints the total.

EASY TO CORRECT AN ERROR

If a wrong key is depressed, you can see it instantly on the standard visible keyboard. To correct it, merely depress the right key in the same column.

COMPACT . . . EASILY CARRIED

New Burroughs models—smart and modern in appearance—are light in weight, take up little room, and can be carried handily from place to place.

The motor assures fast and easy operation. It is completely enclosed in the case, and uses either direct or alternating current.

FAST ELECTRIC OPERATION

BURROUGHS ADDING MACHINES

ADD • SUBTRACT • MULTIPLY

ACCOUNTING AND CALCULATING MACHINES • TYPEWRITERS • CASH REGISTERS • POSTURE CHAIRS • SUPPLIES

Business Week

POCKET REGISTER—No larger than an ordinary sales pad, the new "Aristocrat" (by Standard Register Co., of Dayton, Ohio), will register multiple copy handwritten records. Made of duralumin, it weighs just over a pound when loaded with 150 forms (larger sizes handle 300 forms), solves the carbon problem by reloading new carbon with each new pad of printed forms.

Ford Steel for Fords

Ford thinks it's worth another $13 millions to be independent of outside producers.

FORD steel aims grow clearer with announcement of the details of his plans for expansion. By the end of next spring, when the two new mills will be ready to roll, sufficient Ford-made sheet steel will be available to produce 3,000 cars a day—without buying a pound in the open market.

Caissons for the foundations of the two big mills are already completed. To the east of the present open hearth and steel mill buildings will be a continuous cold strip mill turning out sheets up to 84 inches wide; to the west, a hot strip mill will handle up to 48-inch width. Together, they account for a capacity of 1,500 tons a day, just 25% of the present total capacity of the Detroit area, including the Newton mill at Monroe.

Buildings will cost $650,000; a 54-inch blooming mill, roughing mills, reheating furnaces, hot finishing mills and cold mills, pickling tanks and annealing furnaces will cost another $6 millions. Add to this power equipment already announced totalling another $6 millions and the price which Ford will pay for independence in steel comes close to $13 millions.

No other private manufacturer has such independence. All are dependent on outside producers for their steel, even the great ordnance and railroad equipment makers here and abroad. Back of Ford's determination for self-sufficiency in steel is probably the rising cost of steel under the code. And steel costs are a big factor in car prices, toughest problem to be faced by the automobile industry in 1935.

There are plenty of steel men who claim with some passion and considerable sincerity that it is still cheaper to buy milk than keep a cow, that Ford will not be able to make for himself the 36 kinds of steel that go into Ford cars as economically as he could buy them. And there are some who wonder whether the Ford mills will be most useful making steel or acting as a moral influence to keep prices down.

In the past, Ford steel-making activities have been closely tied to outside steel prices. When it was cheaper to buy on the market, the Dearborn plant shut down. But with $13 millions added to the Ford investment in steel, such a course in the future seems unlikely.

Hurdles for Ickes

Oklahoma's suits widen test of oil administrator's powers.

SECTION by section, the petroleum code is being put over the hurdles. Two suits in the western district federal court of Oklahoma shift attention from the federal tribunals of Texas, first proving ground of the federal oil administration policies.

The code contains a provision that new oil pools shall be developed in accordance with a plan approved by Administrator Ickes. For the Crescent pool in Logan County, Okla., he approved a plan whereby the field was to be divided into 40-acre units and one well drilled in the center of each. This departed from the customary allowance of one well for each 10 acres. However, it provided that exceptions might be granted where proof was made that a lease was near the edge of the pool and the approved location would result in a dry hole, if drilled.

Drilling Goes On

Eason Oil Co. applied for exception and, after weeks of delay, got a denial which the administrator followed up by asking the Department of Justice to sue for an injunction. The Eason test was down 6,000 feet when the suit was filed, will either be a producing well or a failure by the time the court decides the case in mid-September.

In defending the suit the company challenges Ickes' authority to approve any plan, regardless of what the code says.

That the administrator approached the suit with laggard steps was obvious throughout. Penalty for developing a new pool for which no approved plan has been issued is prohibition of movement of the oil or its products in interstate commerce. In this, as in other sections of the code, the interstate commerce theory is being stretched to the limits of elasticity, as the trial judge in the Eason case intimated from the bench.

Kicked on Back Pay

The other case involves the authority of the administrator to prescribe wage scales in the oil industry. On May 21 he signed an order establishing wage differentials for skilled and semi-skilled workers. This might have gone through by default had he not provided that increases, where due, should be retroactive to last September, when the code became effective. He set Aug. 19 as the date when the order should have been complied with fully.

The retroactive provision stirred up everybody. Workers saw enough money coming in at one time to buy new cars and other desired goods. Many employers saw more money going out than they had. After protests and failures to get a hearing, the Champlin Refining Co.

filed suit in the same federal court that has the Eason case under advisement, asking for declaratory judgment in the matter. The company attacked the order as in violation of the Constitution and the petroleum code itself. Pending settlement, oil companies are passively resisting the wage order

Power Needed

Electric utilities see early demand for new equipment, plan station additions.

WHILE a lot of people talk about restraining the electric utilities, the utilities themselves talk about expanding. Many of those in the power industry are convinced that expansion is soon going to be a necessity. Those who make any of the vast variety of materials and equipment that goes into an increase of utility capacity are now listening to figures that promise business, instead of to opinions that there is already excess capacity. These are the figures:

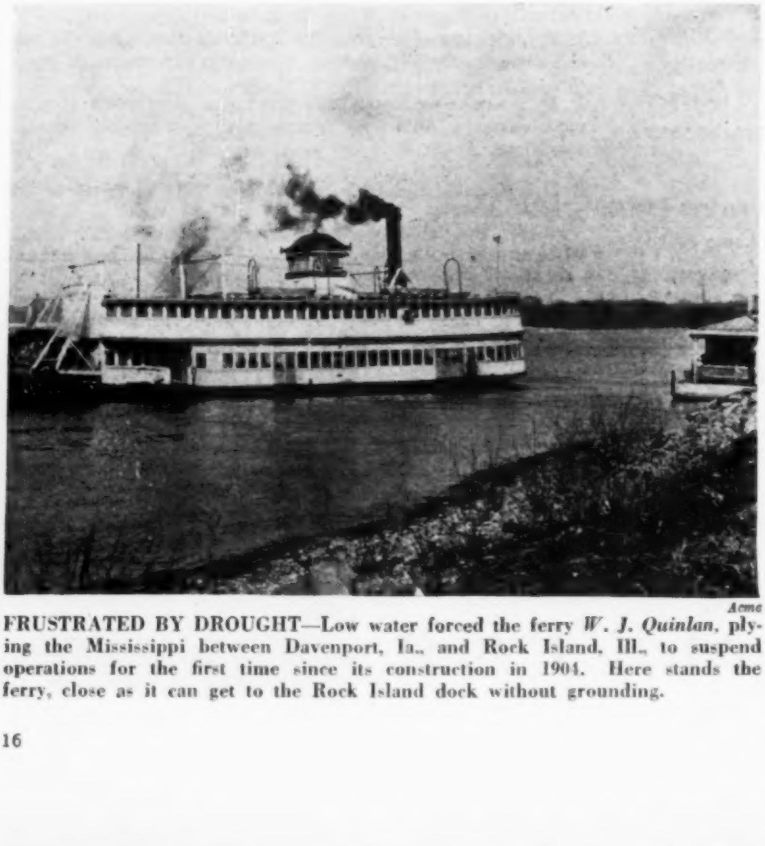
If the power demand for the last half of 1934 only equals that of the first half (which is being conservative) this year's output of the utilities will be 86 billion kw.-hr. from 34.3 million kw. of capacity—only 6% below the peak value of 1929. Since 1929, when a vacation in station-building started, sales of electric equipment to homes and industry have added an estimated connected load of 51.5 million kw. to utility lines. With proper corrections for replacement, demand, and diversity, this is figured as equivalent to a demand of 5,150,000 kw. on utility generators. And the added generating capacity during this period has been only 4,750,000 kw.

With these and other figures which it has been compiling from field studies in the industry, *Electrical World* calculates that, if the old load and the new load operated at normal value, utility plants would be stressed to supply service; concludes that if the load holds up large additions of capacity will be needed in 1936 and 1937—perhaps a total added capacity of 2.5 million kw. for operations in 1936.

Actual checkups show that, already, several properties are adding capacity and others are negotiating for or planning definitely for additions within 2 or 3 years. At least a year is needed to buy and install capacity, so plans and orders cannot await actual demand.

Government Power Discounted

"Of course," says *Electrical World*, "all predictions presuppose continued load growth, but there is nothing on the horizon to indicate that this growth will not occur. To those who say, 'Yes? And those government power projects?' the power industry's answer is that these bulk big in the papers, in the territories where they are, and in the minds of private utilities in those territories; but they are not in the concentrated load areas served by private utilities and the economic obstacles to long-distance distribution of power operates against their immediate expansion to anywhere near the extent that the political prophets predict."



Acme

FRUSTRATED BY DROUGHT—Low water forced the ferry *W. J. Quinlan*, plying the Mississippi between Davenport, Ia., and Rock Island, Ill., to suspend operations for the first time since its construction in 1904. Here stands the ferry, close as it can get to the Rock Island dock without grounding.

Modernization

Business is likely to provide the push—and the money—to put over the modernization campaign.

EVEN before the Housing Act was a bill, it was plain that the regular financial forces were not exactly enthusiastic over modernization. Now it becomes increasingly apparent that the necessary sales effort must come from the businesses which will profit most from the drive.

The banks can hardly be blamed for their cool reception of the plan. They have their own ideas on making loans; they claim that almost any applicant who can survive the government questionnaire is good enough for a regular bank loan, anyway.

Moreover, many bankers are a little rankled by the ballyhoo about "government money for your home," and are not appeased by that government guarantee of 20%. They are careful to point out that it is *their* money, and not the government's, which is being offered so freely. Finally, bankers are congenitally sitters. It is not in their philosophy to get out and sell John Doe a new roof by waving the money enticingly under the Doe nose.

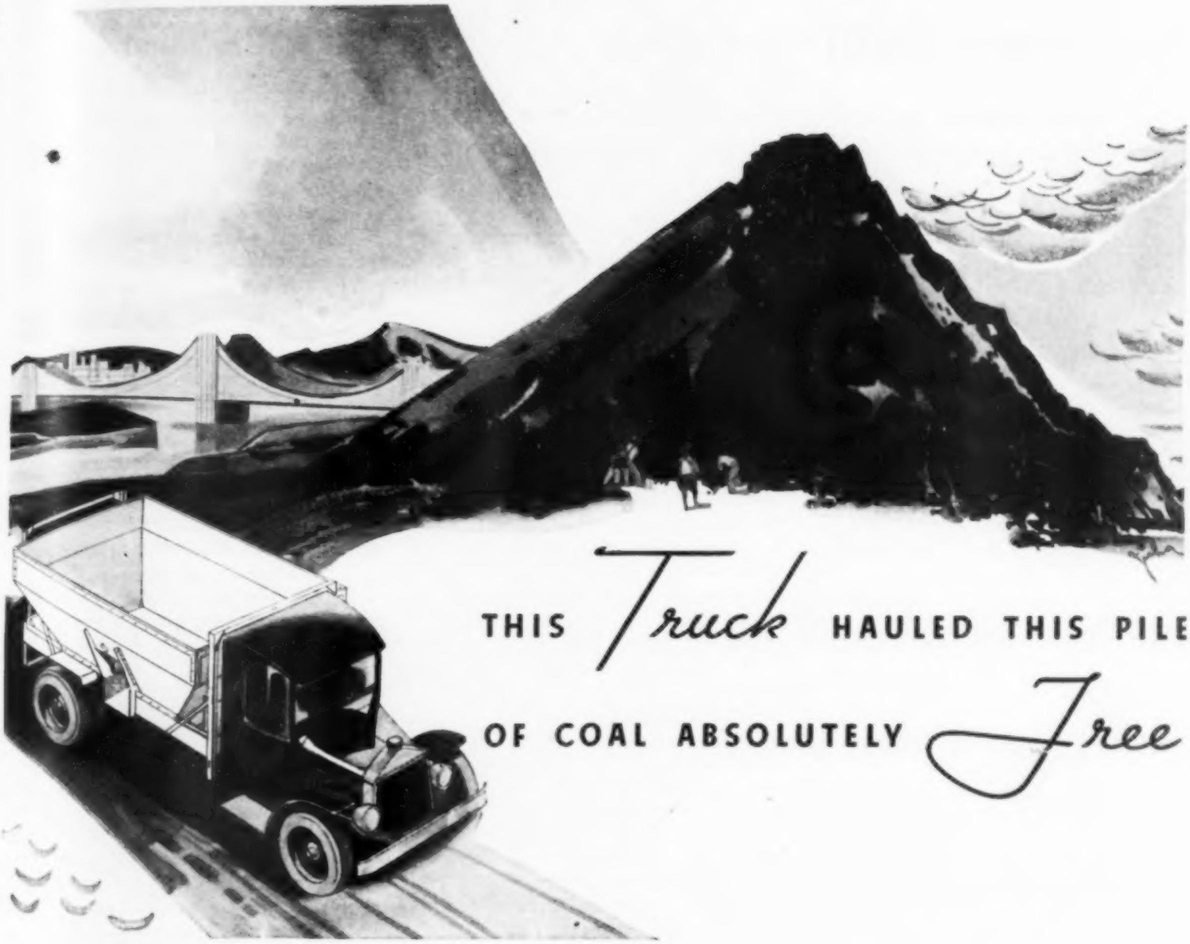
Manufacturers Know How

The manufacturers of modernization have no such limitations of tradition. They are used to doing a selling job. Their prospects are used to finance plans. So, as in the automobile industry, they are going into banking to sell goods.

Prominent example of the idea is American Radiator. Long before the government stepped hopefully into the picture, that company had organized its own Heating and Plumbing Finance Corp. (*BW—Apr21'34*). Now Heating and Plumbing Finance has been authorized by the Federal Housing Administration to lend modernization money on government terms and with the government guarantee. Property holders who come under the broad provisions of the Act can thus finance their heating modernization without down payment, mortgages, or indorsers. A strong advertising campaign tells them they only need to see a contractor.

Another company, National Radiator Corp., has worked out its own installment credit plan, offering 3-year terms without down payment, with finance charges "in line with those of the National Housing Act."

Heating installations from $100 to $2,000 are financed directly by National Radiator, whose contractors receive 100% cash on the job as soon as completed, and indorse the home owner's note without recourse, National Radiator assuming responsibility for collection. The contractor's responsibility covers only the quality of his work.



THIS *Truck* HAULED THIS PILE OF COAL ABSOLUTELY *Free*

IN exactly one year, the extra load hauled *every trip* by this medium-sized truck added up to the enormous pile illustrated. Reason: The body is built of Alcoa Aluminum. The facts are on record, authenticated.

Every man who owns or operates even one medium-sized truck can get the same kind of results by insisting on just one detail of his next truck specification: The body must be built of Alcoa Aluminum.

Before you sign your body contract you know just how much dead weight you are going to save. You choose whether to carry more pay-load every trip, or to reduce gross load, and thus save operating expense, even to the extent of reducing chassis and engine rating.

Aluminum Company of America has made it easy for you to accomplish these savings. Every standard and special shape, rolled and extruded, needed for utmost weight-economy is quickly available to the body builder. Basic designs which can be varied to fit your particular needs are at his disposal, and yours.

Do yourself the favor of thoroughly investigating what an Aluminum Truck Body will save on the next unit in which you or your company are interested.

Alcoa Aluminum is not used so widely solely because it is light. It has a thousand applications because it is light and STRONG. It is eminently workable and can take many beautiful finishes. It resists corrosion.

Alcoa Aluminum has a place in your business. It can save you money. Will you give us the opportunity to prove this broad claim?

ALUMINUM COMPANY OF AMERICA
1804 GULF BUILDING · PITTSBURGH

ALCOA · ALUMINUM

Insurance Shifts—Right

Federal mortgage agencies, controlling billions of fire insurance, consider socialized schemes, lean toward plan that will protect small local agents.

A LARGE portion of the home-owning public will probably miss the premium savings of a socialized or semi-socialized form of fire insurance; the agents will probably hold a large portion of their income. The Home Owners' Loan Corp., which it is estimated will have loans on 1 out of every 5 homes in this country before its campaign is completed, is considering a large number of plans that have been presented to it for the handling of its fire insurance problems including the assumption of this risk by the government. A decision is not expected for another week but the most likely to be accepted is a plan that would include the company and the agent as part of the machinery to effect coverage.

Present Rules

As the rules stand, the home owner must deposit an insurance policy that will at least cover the loan. For this purpose he may continue his present insurance or purchase a new policy from an agent of his own selection. In the event the owner cannot or will not place insurance or renew that already placed, the risk is automatically picked up under a binder written by Hartford Fire Insurance Co. This binder, which provides for a 10% brokerage commission to the local agent, covers only the amount of the loan or the insurable value of the improvements, whichever is smaller, since the HOLC can protect its own interest only.

Many of the HOLC loans are made on properties of those in distress, who find it hard to pay premiums. This has led to the general impression that the defaulted policies form a large percentage of the whole. Washington reports that this is not the case, that the total coverage written by Hartford is very much smaller than supposed. Nevertheless the other companies were attracted to the field, have been pressing their own propositions upon the corporation.

In the meantime the HOLC was struggling with the tremendous job of assuring itself that its loans were covered by insurance. As of Aug. 17, HOLC loans numbered 462,834 for a total of $1,391,069,465, and the number and amount is steadily mounting. The insurance division has 144 employees working 3 shifts daily. They have checked 450,000 policies (6,000 every 24 hours) which have been recorded and tabulated on record cards.

It was largely a desire to avoid the heavy work and expense of checking its coverage that led HOLC into negotiations with the insurance companies for a blanket policy. Because of the size of the policy and the wide spread of the risks, this business was highly desirable and there was a general scramble to obtain it. Some of the suggested plans included only the amount of the loan; others, all the insurance on the property; some provided for agents' commissions, others omitted them to cut rates to the bone. If this fee were not charged, the home owner could save some 20% on his premium, but the agency system, foundation of fire insurance sales, would be weakened, particularly in smaller communities. The outlook for the small town agent was desperate for a time, since these residential commissions are the backbone of his income. The businesses of 50,000 small business men were threatened.

Pool Arrangement

So the National Association of Insurance Agents stepped into the picture and suggested that it set up in Washington a complete insurance office to handle the entire insurance work of the corporation and all insurance premiums, paid and unpaid. This pool arrangement appears the most logical, efficient, and economical way of servicing the corporation's insurance needs and would afford unquestioned indemnity. The business would be distributed among the companies according to their present comparative volume of business and full recognition would be given local agents of record. A sufficient differentiation in the amount of commission would be made for unpaid premiums to prod the agent to press collections.

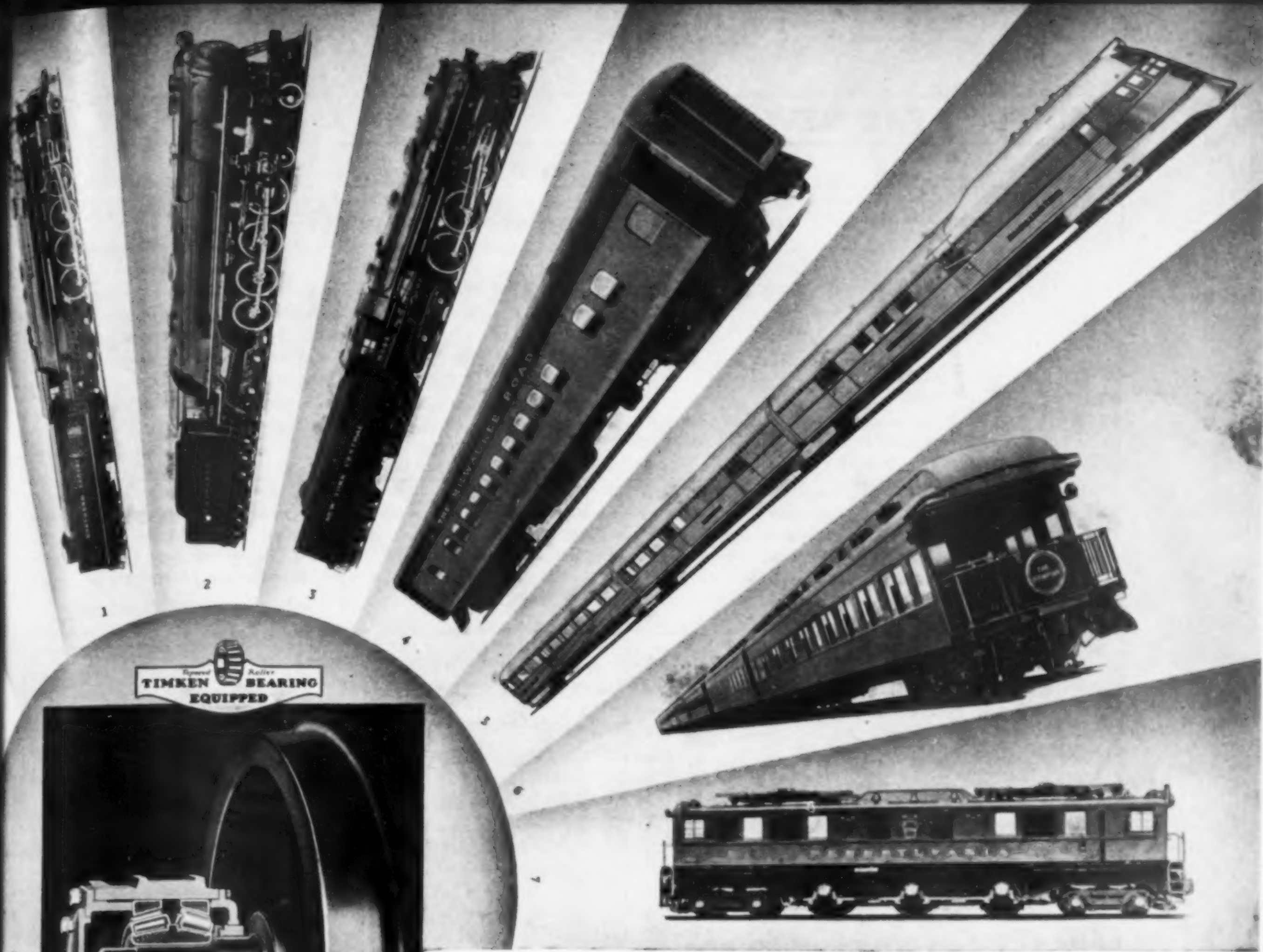
All these plans were discussed at a recent meeting in Washington attended by all those whose interests might be affected. Because the meeting was informal in character no information was given out to the press. It is understood, however, that the proposal of the agents' association seemed to meet with the most approval and that the chances of its adoption appear favorable.

Farm Credit Problem, Too

A similar insurance problem is being faced by the Farm Credit Administration and a similar solution may be reached. From June 1, 1933, through Aug. 15, 1934, FCA loans numbered 440,044 for a total of $1.1 billions and commitments equalled $700 millions more. This is about one-third of the total farm mortgage debt and operations might easily end up at 40% or more. To date each land bank has made its own insurance arrangements, getting the best policy it could for stockholders and borrowers. No company is favored. Farm mutuals with good records participate. But FCA now is giving consideration to a unified plan that may develop in the next 6 or 8 months.

Acme

FAREWELL PARTY—The glum look on Jesse Jones' face probably results, not from the hot dog, but from Harvey C. Couch's resignation as an RFC director. On departing, Couch (left) was host to 1,400 RFC workers on a boat trip down the Potomac. Housing Administrator James Moffett is on the right.



TIMKEN BEARINGS PREDOMINATE IN 1934 RAILROAD DEVELOPMENTS

This year will go on record as one of the most progressive years in American railroad history. New conceptions of speed and comfort ... new locomotives ... new types of cars and trains, have brough. orders for Timken Bearings exceeding in volume and importance those of any similar period for several years past.

Among these are bearings for all axles of 10 new locomotives for the Northern Pacific Railroad; all axles of 18 new locomotives for the Lackawanna Railroad; all journals of 50 new de luxe coaches for the Milwaukee Road; all axles of two large Lehigh Valley locomotives; all journals for a new 5-car articulated light weight subway-elevated train for the Brooklyn-Manhattan Subway; and all journals of the phenomenal Burlington "Zephyr", sensational new world's speed and non-stop record holder. Every one of these is a repeat order resulting from previous experience with Timken Bearings. *One hundred and sixty-two* railroads now operate Timken Bearing Equipped rolling stock.

American railroads are putting more and more equipment on Timken Bearings because they know it pays—in increased patronage, dependability and operating economy.

1 One of 10 new locomotives for the Northern Pacific Railroad with all axles Timken Bearing Equipped. Experience with the first locomotive in the world to be completely roller bearing equipped (the Timken Locomotive purchased by the Northern Pacific 2 years ago) brought this repeat order.

2 One of the 18 new completely Timken-equipped locomotives for the Lackawanna Railroad. This road has had 2 Timken-equipped locomotives in service for 2 years. Their performance was responsible for the placing of the 18 new engines on Timken Bearings.

3 New York Central locomotive equipped with Timken Bearings on all axles. The New York Central has had considerable experience with Timken Bearings in various types of equipment including passenger coaches, baggage cars, locomotives, tenders and gas-mechanical units. This railroad recently ordered Timken Bearings for 29 six-wheel-truck tenders.

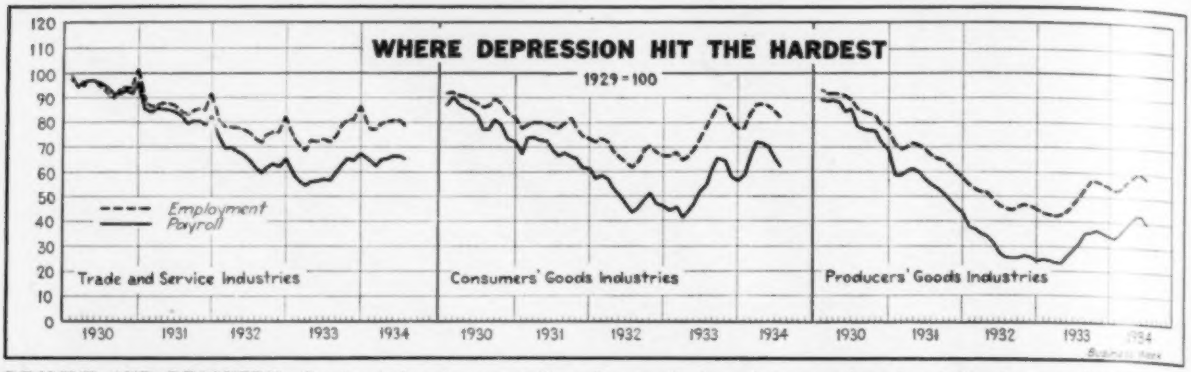
4 One of the 50 new Timken-equipped stream-lined coaches for the Milwaukee Road. The Milwaukee was the first railroad to use roller bearings in long distance train service. ("Olympian", Chicago to Pacific Coast, and "Pioneer Limited", Chicago to Twin Cities, both completely Timken-equipped in 1927).

5 The Burlington "Zephyr" proved the value and dependability of Timken Bearings when it broke the world's record from Denver to Chicago—a distance of 1,017 miles—in 13 hours 5 minutes. Average speed, 78 miles per hour. Highest speed attained, 112.5 miles per hour.

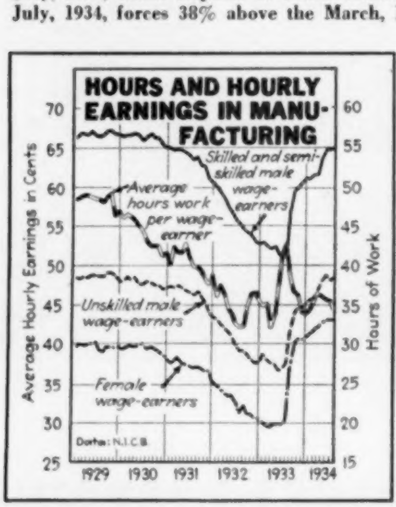
6 The "Olympian", crack transcontinental flyer of the Milwaukee Road. The first long distance roller bearing train. An average of over 1,000,000 miles per car had been made by 181 Timken-equipped passenger cars on the Milwaukee Road up to June 1, 1934.

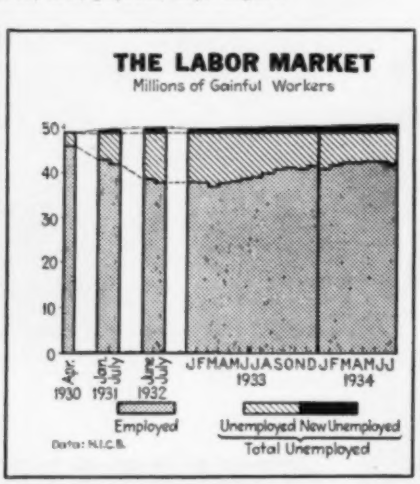
7 One of 158 heavy duty Timken-equipped electric locomotives in service or on order on the Pennsylvania Railroad. Timken equipment on the Pennsylvania also includes 2 steam locomotives, 96 large locomotive tenders, 6 steam locomotive engine trucks, 100 freight cars, 95 main line coaches, 21 dining cars, and 193 electric coaches.

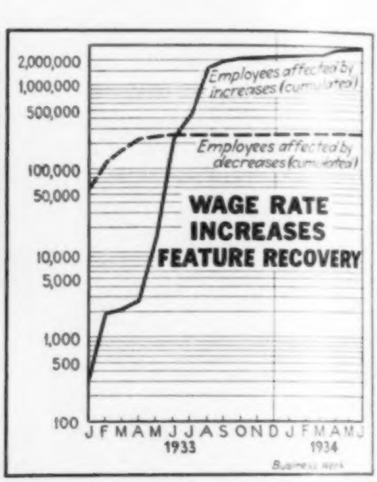
THE TIMKEN ROLLER BEARING COMPANY • CANTON, OHIO



DECLINE AND RECOVERY: Service industries cut staffs and payrolls less than manufacturing industries, speeded up their employment activities after the code era. Consumers' goods fabricators hit bottom in July, 1932, made the best recovery before July, 1933, under impetus of cotton textiles. Employees in heavy industries suffered the worst lay-offs, but reemployment brought July, 1934, forces 38% above the March, 1933, low, payrolls 68% higher.



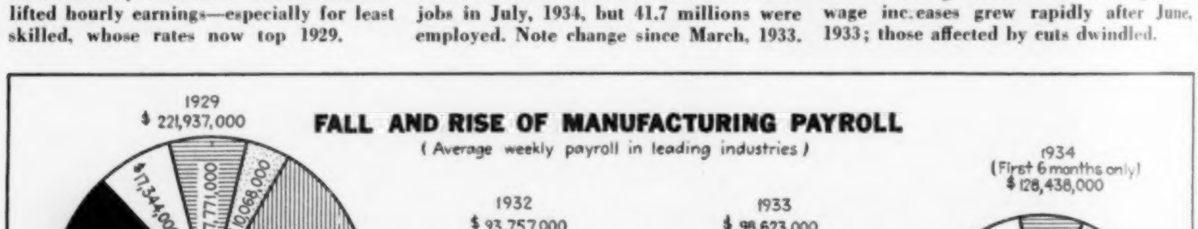




HOURS DOWN; PAY UP: Codes plus reduced activity cut hours. Code minimums lifted hourly earnings—especially for least skilled, whose rates now top 1929.

MOST PEOPLE HAVE JOBS: N.I.C.B. estimates some 8.6 millions were out of jobs in July, 1934, but 41.7 millions were employed. Note change since March, 1933.

INCREASES vs. CUTS: Wage earners in manufacturing industries benefiting from wage increases grew rapidly after June, 1933; those affected by cuts dwindled.



WEEKS' WAGES: In 1929, manufacturing industries poured into trade channels via the payroll an average of $221.9 millions a week. Textile plants contributed $33.3 millions, machine plants $31.8 millions. By 1932, payrolls shrank to $93.8 millions a week, averaged $98.6 millions in 1933. Weekly average of the first half of 1934 topped $128.4 millions, a 30% gain over 1933.

Auditing the New Deal

10. Labor—An examination of the bare statistics of employment, hours, hourly rates, and weekly earnings since the depression hit bottom.

MEASURING labor's progress under the régime of industrial codes is already a matter of controversy. The first code—cotton textiles—became effective July 17, 1933. But, by that time, gains had already been recorded. The advent of a new administration intent on doing something to put a brake on the price toboggan, inflation threats when the gold standard was abandoned, and the Recovery Act's promise to lift wage rates had all set industry to building up inventories in the hope of collecting handsome profits on a rising market. Results began to appear in the figures on employment, payrolls, purchasing power, hours, hourly earnings, and weekly earnings. They appear more clearly in a comparison with subsequent gains.

I. Employment

The employment result can be quickly traced. The cold figures show that manufacturing industries made their greatest additions to staffs before the ink was dry on the first code. Their employment gain was 22% from March to July, 1933, against 10% from then to last July. Similar large initial employment gains are revealed in a breakdown of totals to separate the producers' industries (which cater chiefly to other industries), industries manufacturing for ultimate consumption, and the service industries, including wholesale and retail establishments. The figures are:

Group	*Bottom*	*Gain to July, 1933*	*Gain July,'33 to July, 1934*
Trade and Service	Mar., 1933	4.7%	8.9%
Consumers	July, 1932	27.6%	5%
Producers	Mar., 1933	17.6%	17%

Grouping of industries covers up individual status. By July, 1934, 4 industries had increased their labor force more than 60% compared with the preceding year when they were still deep in the woods. But the bulk of industries, including manufacturing and nonmanufacturing, were operating with staffs less than 20% larger than a year ago, and 23 were actually less heavily manned. The majority of these are in the textile and clothing lines, now embroiled over labor issues, among which is that of shorter hours to absorb the unemployed.

Labor arguments frequently take 1929 for a base of attack. Amid much loose talk, the figures show that of the 49 industries classified in the producers' goods groups, 15 had restored employment to within 20% of their 1929 average by July, 1934. Steel employment stood at 70%, bituminous coal at 77% of the 1929 level. But these producers' industries as a whole have the farthest to go to regain their predepression heights.

How Big a Comeback?

Some 24 industries manufacturing consumers' goods have made comebacks within 20% of their 1929 average employment totals. Part of the July showing is due to seasonal expansion as indicated by the high index figures for radio, meat packing, and beverage industries. Yet the cotton goods industry, now in throes of a strike, restored employment to 96% of the 1929 average in July; the shoe industry to 92%; the automobile industry to 88%. The balance of the 47 divisions in this group all did sufficiently well to get at least half of their 1929 roster restored, with anthracite coal employment at 54%.

Trade and service industries reduced staffs less drastically than fabricating plants, and have been more deliberate in building them up. Six out of 9 groups, including retail and wholesale trade, had employment indexes ranging from 80%–90% of their 1929 average. Railroad employment on Class I roads stood at the bottom of the series, the July index being only 63% of the predrepression average, but a 6% improvement over a year ago.

Double Audit

Auditing the books that labor has kept on the New Deal is inevitably a two-part job: (1) the figures on employment, hours and pay; (2) the profit and loss entries arising from operations under Section 7-a of the National Industrial Recovery Act—the famous collective bargaining guarantee. Employment, hours, and pay come first because the results shown there have an important bearing on what has happened under 7-a.

These results are set forth herewith in figures that need little interpretation. They show that, in the main, the New Deal has meant more jobs—though not enough, by far—shorter hours and better wage rates; but that it has only set the stage for better weekly earnings. They indicate that, if the biggest labor gains were made "before the ink was dry on the first code," this was due to anticipation of the codes and of other features of the New Deal.

Next week's audit will be concerned with labor relations, which has become the liveliest and, at the moment, the most pressing problem in the whole new order of business.

II. Unemployment

Discussion of the actual number of unemployed has led to heated controversies between the A. F. of L., which pioneered in computing a monthly record of the fluctuations of the unemployed, and the U. S. Chamber of Commerce, which recently came forth with a lone estimate of 7 millions. Inadequacy of data in fields outside of manufacturing make all such estimates hazardous. The National Industrial Conference Board recently entered the field with one on a regular monthly basis.

From April, 1930, when the federal census determined that 3.2 million workers were looking for work, until the end of 1932, the estimates of the federation and the occasional estimates of the N.I.C.B. were reasonably close together. From there on the curves part, the federation placing the July unemployed in industrial occupations at close to 10.8 millions, the N.I.C.B. at 8.6 millions. In any event, both figures leave the great bulk of workers, over 40 millions, attached to some type of job, however small the remuneration.

The extent of the reduction in the number of unemployed since the peak of March, 1933, depends upon whose estimates one is inclined to credit. Here are the latest guesses:

	—Unemployed—		
Estimator	*Mar., 1933*	*July, 1934*	*Reemployed*
A.F.of L.	13,689,000	10,772,000	2,917,000
N.I.C.B.	13,203,000	8,609,000	4,594,000

III. Payrolls

Payrolls in all groups hit a low in March, 1933, made sharp gains from March to July, but have shown more modest increases since. Service groups made better gains after the code era than before. These are the figures:

Group	*Gain March-July, 1933*	*Gain July, 1933 to July, 1934*
Trade and Service	4.4%	14.9%
Consumers	32.3%	13.8%
Producers	32.5%	26.5%

In at least 10 manufacturing industries, ranging from locomotives to silverware, July, 1934, payroll totals were more than 50% larger than the year preceding; 9, including bituminous coal, automobiles, and crude oil, were from 40%–50% greater. But the great bulk

made gains of less than 30%, and 14 industries had smaller payrolls in July, 1934, than the preceding year.

IV. Hours

Though reduction in working hours in late 1933 resulted from curtailment in some industries, code regulations must be credited with the greatest influence in cutting working time. Most codes set a 40-hour limitation on the work week.

From the 48-hour average in 1929, the average work-week in manufacturing plants fell to 32 in 1932 and 1933. Then it rose sharply to more than 42 in July, 1933, in the bustle of pre-code activity. Immediately after the cotton code became effective, it declined to less than 35 hours and in June, 1934, only 12 industries were working over 40 hours; 51 between 35 and 40 hours; 36 between 30 and 35 hours; and 5, affected by seasonal inactivity, were operating below 30 hours a week.

V. Hourly Earnings

The Administration was eager to reduce hours to help absorb the unemployed. At the same time, it sought to maintain the weekly wage. This necessitated substantial increases in hourly earnings. A chart on page 20 clearly depicts the remarkable recovery in hourly earnings. Note that there was no increase in such earnings before the code era, despite the increased employment and production. Earnings of the least skilled and female workers have made the best gains since, amounting to 29% and 42% from July, 1933, to July, 1934; skilled male help has benefited to the extent of 26%; only the least skilled have surpassed the 1929 average. Bituminous coal and cotton textiles made particularly impressive strides under their code minimums.

Wage rate reductions peppered the industrial record of 1932, and even the first quarter of 1933. But by June, sufficient sentiment had been rallied against wage deflation to create a marked reversal. Voluntary increases began to appear. The cotton goods, automobile, boot and shoe, and woolen industries granted partial restorations of former cuts. By August, 1933, over a third of the employees in manufacturing industries reporting to the federal government received increases averaging 24%. This sudden increase in wage rates prior to any substantial expansion in general business activity was without precedent.

VI. Weekly Earnings

The average wage earner has found his weekly pay check very little larger than before the code era, and hence feels the pinch of rising living costs. For manufacturing industries as a whole, July's weekly pay envelope was about 3% larger than in July, 1933, the cost of living 5% higher, and individual purchasing power 2% smaller than in the summer of 1933. However, the gain in employment in manufacturing industries, as a whole, provided a total consumer purchasing power expansion of 13%.

Construction Lags

In other fields, the statistical data are less satisfactory. The construction industry has largely depended upon public projects whose expansion has been slower than anticipated. Estimates indicate little change in employment or payrolls in the last 12 months. The government PWA and relief projects have absorbed some of the unemployed, but overlapping figures prevent a net comparison. PWA claims over 625,000 employed in July through its funds; the Emergency Work Relief Administration, over 1.2 millions; CCC, 380,000; state and federal road work, more than 200,000.

In sum, though code effects are not always distinguishable from influences wrought by fluctuations in business volume, labor can list at least these gains from the year's operations: expansion of employment and total payrolls, reductions in the established work week, increases in hourly wage rates—and from the famous Section 7-a, bargaining advantages that will be discussed in next week's issue.

On the other side of the ledger is a rise in the cost of living which, at the moment, is not offset by larger pay envelopes. Better weekly earnings will hinge on the expansion of productive activity necessitating plant operations up to the maximum production permitted under the code.

Inflation Profits

Railroad rate case points to way inflation lever can lift earnings for all corporations with high fixed charges.

THE railroads may fail to prove their case for an increase in rates at the ICC hearing scheduled for Oct. 1. There are some who claim that the petition was only drawn up for strategic purposes, to place the carriers in a better trading position in their fight against pensions and truck and water competition. But eventually the commission will have to allow an advance in freight charges. As inflation continues to grind out its cycle of higher wages, higher costs, higher prices, even such slow-moving items as rail rates must be affected. And when rates are advanced in line with the progress of inflation, earnings will move up far more quickly than is generally realized due to the relative shrinkage of fixed charges.

The action of inflation to reduce the debt burden is usually considered as applying solely to the farmers, the home owner, the small business man with a note at the bank. But this same influence is equally applicable to the large corporation with fixed charges in the form of rents, property taxes or bond interest and is particularly applicable to the railroads which have a generous portion of all three. Inflation, if it brings with it higher rates, would be a boon to railroad stockholders.

How It Might Work

An insight into how this might work out may be gained by increasing both revenues and expenditures of Class I railroads by, say, 10%, adding outside income, and deducting fixed charges. Net income would then be found to be much higher. Using 1933 figures as a springboard it would work out as follows:

	Millions of dollars	
	Actual 1933	*1933 (plus 10% rev. & exp.)*
Total operating revenue	3,126	3,404
Total operating expenses ...	2,403	2,474
Net operating revenue	846	930
Other income ...	211	211
Total income (before tax, rents, etc.) .	1,057	1,141
Total deductions inc. tax, rents, etc.)	1,062	1,062
Net income available for additions, reserves, dividends, etc...	def. 5	79

This shortcut method of computation does not reflect accurately the condition that would result should the roads obtain the increase in rates they are now petitioning for. The 10% advance would apply only to certain commodities transported and would average but 6.8% on all freight. Passenger, mail, and express rates would not be changed.

Other Variable Factor

It does not account for the probability that the roads are now undermaintained and that costs including wages may rise more than 10%. Nor is there any allowance for pension increases. On the other hand, it does not count in the improvement that has occurred in traffic with gross operating revenues in the first 6 months of this year up by 15.2% from the same period of 1933. But the computation does reflect the influence that inflation will tend to have, not only on the railroads but on all types of corporations which are burdened with high fixed charges.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

BIGGEST new product news of the week is entry of the electrical manufacturers into the mass market for ranges. Westinghouse wins the blue ribbon, this time (see news and picture this issue) with a full-sized electric range much lower than even TVA prices.

WARNER ELEVATOR Co. has a new air circulator for passenger cars which combines a draftless fan with the ceiling lights. Modern high speed elevators having closed cabs to keep occupants from getting nervous as the floors flash by, the development seems logical.

SLIDING discs on the new Varidrive motor do away with slip rings, commutators, and other speed variation devices, make possible a thousand speeds at the turn of a wheel or the push of a button. U. S. Electrical Manufacturing Co. make it.

SALESMEN using the new Midas camera-projector need no electrical outlets. When used as a projector, the device furnishes its own light from batteries attached, needs only a sheet of paper propped up on a book to make a sales point. Moreover, the salesman can take his own movies with a minimum of photographic training.

LUMILINE lamps, those aptly named electric bulbs which make a line of light for show cases, signs, ceilings, are now made in color and in 40 watt as well as 30 and 60 watt sizes. Made by General Electric.

SYNTHANE "sandwiches" combine the best features of bakelite and rubber in a layer-cake construction which has strength and resiliency. Useful for restaurant tables and trays, refrigerator, fan, and washing-machine motor bases.

COLONIAL STOVE Co., displays its new ensemble kitchens on a trailer, back to back, rolling behind the salesman's car. Just to show the porcelain steel finish is permanent, the display is open to the weather. Four of these trailers are now on the road. The only hazard is small boys with stones seeking to test the resiliency of enamel on steel.

THE Electric Home & Farm Authority, confronted with the problem of explaining electric cooking and waterheating to people who have known only hand pumps and wood fires, is putting a traveling electric kitchen on the road to show the hinterland what electric ranges, refrigerators, and water heaters are like.

New Competition

Rise of small concerns built close to customers and biting into sales in outlying territories gives big companies something to think about.

THE new competition launched against established concerns during the depression years has been small business, started without much benefit of bank credit to cover a limited territory and capitalize the now enhanced advantages of low overhead and close contact with customers. A pre-crash trend toward regional decentralization has been accelerated by big-company economies that have contracted selling efforts, thereby opening opportunities for local competition. Decimation of big-company executive and sales forces has released trained personnel for such competition, improved its chances of survival.

These are the conclusions to be drawn from sampling tests on new businesses pending a more comprehensive survey. They are pointed to by the information yielded in follow-up reports on 32 manufacturing concerns new in 1933 and late 1932 which were by-products of a recent *Business Week* investigation of decentralization in American business (*BW—Apr7'34*).

Checked Off by Districts

Of these concerns, 9 checked in from the Atlantic states, 8 from the Pacific Coast, 15 from the Mid-West and South. The largest employs only 95 persons; the average for the group is 22. Floor space occupied in their operations ranges from a few hundred square feet to 75,000, averaging 13,900. Products turned out in this space (17 specified separate buildings; 5 stated that they were renting lofts) included in their range automobile bodies, trailers, oil burners, concrete pipe, paperboard, wire cloth, soap, blankets, knitted wear, thermostats, and paints.

The most significant fact about them is that only one of these concerns expects to sell its products throughout the United States. One claims the Eastern states as its territory, another the Southeastern states. But 27 that drew boundaries count on getting all the business they want from 1 to 10 states and the average territory for the group is just 4 states.

Worries for Big Fellows

This information is the kind that worries nationally operating companies whose production is centralized in one plant. Despite their efforts to decentralize distribution, they have been frequently seeing themselves beaten on either price or delivery speed by favorably located small competitors. Some production men reason that if this regional infiltration of small manufacturers continues, many "national" concerns will be forced to change their entire production setup.

What kind of business this new competition is can be most clearly brought out by a study of its financing. None of the concerns supplying data reported any advance borrowing from banks. Only 8 are now carrying bank loans, though 4 applied for such loans and were refused. Fifteen are still operating on their own capital. Several complain that their banks are willing to loan only on government bonds or other liquid collateral and there is one suggestion that the government should establish banks to aid small business. One concern that started out with $30,000 new equipment states that its officers interviewed several bankers, "were advised to stay out of business." All this obviously has a bearing on the RFC and Federal Reserve venture into direct loans to industry.

The financial report is also important to the so-called producer industries. The amount of money invested by these enterprises in production equipment ranges from a few hundred dollars to $140,000 for one concern; for 25 of them it totals $412,078—or $16,483 per company. As might be expected, they have dipped into the second-hand market, 3 buying solely, 16 chiefly, second-hand machinery, with an average purchase of $9,333.

Old Techniques Used

In their selling, these new concerns are neglectnig none of the established techniques. Salaried salesmen are used exclusively by 3, to get a substantial proportion of the volume by 12. Straight commission men are employed exclusively by 2, to a limited extent by 12. And 9 pay both salary and commission. Other methods mentioned are: mail orders, 7; sales agents, 4; manufacturer's agents, 3; direct to retailers for part of volume, 6, and for total volume, 2; direct to wholesalers for part of volume, 6, and for total volume, 2; direct to industrial plants for total volume, 1; direct to chain or department stores for part of volume, 4.

Limited territorial ambitions have limited their advertising programs and most of these concerns have no definite appropriations. However, 7 are using trade journals, a few are in the local newspapers, several circularize their trade by mail.

In view of the prevailing arguments

about codification and NRA's effect on small business, these particular small businesses were asked what they thought about it all. The majority registered reactions favorable to the code program. One Western company, declaring "100%" for its industry code, said, "It has not hindered us as a small unit in a big industry." A new competitor in tobacco manufacturing—which is easily dominated by large interests—believes NRA "beneficial to small manufacturers." A dozen, favoring codes, would also like better enforcement.

There is also skeptical and hostile opinion. One concern, in an "open-price" industry, considers it "unfair that big competitors are allowed to cut prices without advance notice." Another claims that short code hours and enforced rotation of men is too expensive for a small concern. One company, among the 3 largest in the group in point of floor space and number of employees—not a trade association member, incidentally—thinks NRA's minimum wage scales worth saving but wants Section 7-a and all fair practice provisions scrapped pronto and for good.

Doubling Up

Number of families in 63 cities living double in single units about equals vacancies.

Most striking feature of the federal real property inventory to date is the percentage of families now living doubled with other families. Composite of 63 cities covers 1,701,350 families, of which 162,770, or 9.5%, are doubled up with others.

These cities have a combined population of 6,804,620 and if the inventory represents a fair sampling of the 70 million urban population of the United States, then, according to the National Association of Real Estate Boards, there would appear to have been 1,649,000 doubled families in the country in the early months of 1934. However, reports to the association indicated that undoubling was under way very rapidly in a number of cities in the spring months. Inasmuch as the situation is dependent largely upon employment the recent hesitation in business may have checked the trend.

Significant in the inventory findings is the fact that the 162,770 doubled families are almost as numerous as the total number of existing vacant residential units, whether fit or unfit for use. In 23 of these cities, the doubled families exceed the total number of existing vacant residential units, fit or unfit.

In these cities it is apparent that any further improvement in business will tend to create a scarcity of housing.

Industrial Loan Probe

Smallness of advances to industry by RFC and Reserve Banks, "expected" by bankers, leads to investigation by the Treasury.

ASK any large banker how industrial loans are going and the answer is likely to be "As well as we expected." The results of the Administration's attempt to provide funds for industry through the RFC and the Federal Reserve Banks, disappointing to most, have tended to strengthen the bankers' conviction that there was no need for the government to enter this field of activity, that all businesses with good credit ratings were fully taken care of by the existing machinery.

But there are others who are not so sure that business is receiving all the accommodation to which it is entitled. In order to shed more light upon the problem a field staff of some 50 men working under the direction of Dr. Jacob Viner, special assistant to Secretary Morgenthau, will make a thorough investigation in the Chicago district to determine whether any number of legitimate enterprises are unable to obtain credit from banks, whether too many businesses have had their credit status impaired by the depression, or if the difficulty arises from the banks' desire for liquidity which makes their loan requirements unduly strict and drives them into the market for government bonds. New York bankers hold that were this investigation to be made in their district they could show that their institutions were not at fault.

Pressure Behind Banks

Industrial loans at the end of August stood at about $15 millions. Of this sum over $8 millions has been reported by the RFC and the $6 millions remaining is an RFC estimate of Federal Reserve loans. The Reserve reports show only actual advances and commitments by the Reserve Banks themselves without including the commitments of the commercial banks in these same loans, FRB figures are, therefore, smaller than the total sums received by the borrowers. And in no case is there any record of the many loans, originally turned down by the commercial banks, that were later accepted by these same banks after the borrower had appealed to one agency or the other and the agency had asked the bank why the loan had not been made. This stimulation of loans by banks has been one of the unexpected results of the campaign.

By Sept. 10 the RFC believes it will have passed the $12-million mark, while the Reserve Banks will be close to $8 millions. Applications now are coming in much more rapidly and the total of loans should mount from this time forward. The two agencies have $580 millions allotted by Congress under a law which expires Jan. 1, 1935.

Congress at its next session will be asked to increase the limits now set on the total that may be loaned to industry and to extend the time within which these loans must be made. In the past, the advocates of such legislation have to depend upon general statements to the effect that banks will not make legitimate loans. Now there will be concrete examples in the many applications analyzed by the agencies and, perhaps, additional evidence in the investigation Dr. Viner is making in Chicago.

Housing Loans

Modernization rules are drawn to let mortgage lenders in.

REGULATIONS were issued by the Federal Housing Administration this week governing participation in the building modernization program of savings banks, insurance companies, building and loan associations, and similar institutions limited to loans against mortgage security.

The mortgage institutions are actively cooperating in the modernization credit plan, along with the banks and finance companies. Under this plan, the mortgage is demoted from its place as principal security to one of security in legal form only, so as to permit the institutions that normally finance building and real estate operations to proceed as if loans for building alteration and repair were unsecured, and yet meet the requirements of state laws.

The property owner's income, rather than his property, is the yardstick applied in adapting the instalment purchase system to housing improvements. As 20% of the total loans made by any lending agency for modernization are guaranteed by the government, only the procedure that would be required if the borrower's note were unsecured will be expected of the mortgage institution.

In the event of default, FHA will not look to the mortgage for reimbursement, will not require foreclosure, nor assignment of the mortgage. Any mortgage institution that is reimbursed for loss by the Housing Administration and later collects funds through foreclosure must turn them over to FHA—but only after all sums have been paid on account of the amount due on any prior mortgage.

Wide Reading

THE PUZZLE OF PUBLIC HOUSING. Charles S. Ascher. *Survey*, August. Differences between the aims of the PWA Housing Division, under H. B. Hackett, and the Federal Housing Administration, under James A. Moffett.

REPAIR, REPLAN, REBUILD. *Architectural Forum*, August. A check list of possible repairs made by a house owner and an architect; basis for planning what should be done first.

CASH IN WITH THE NEW DEAL ON ITS RENOVIZING PROGRAM. Charles Roehm. *Dry Goods Economist*, August. Building modernization is the next step in the New Deal. Suggestions to furniture and department stores for simultaneous sales campaigns on furnishings.

LABOR IN THE TRENCHES. R. L. Duffus. *Today*, Aug. 11. The wave of strikes—a process of bargaining, not revolution—is expected to mount in coming months; here are the reasons. Fair marshalling of facts on both sides in the controversy.

WORLD AIRWAYS, 1934. *Aviation*, August. Survey of international airlines, their commercial and political significance, their aspirations and their governmental relationships. Tabular data and charts showing keenness of current rivalries.

WHAT DO THE FIGURES SHOW: CONSUMPTION OF THE NON-METALLIC MINERALS? Paul M. Tyler. *Engineering & Mining Journal*, August. To supply a basis for intelligent industrial planning the author summarizes and appraises data on volume of production, imports and exports.

SHOULD THE CODES SURVIVE? William A. Orton. *Current History*, August. Reaches the conclusion that, apart from the basic materials industries, Congress should not attempt to continue the code system beyond its expiry date in so far as it puts the force of law behind trade agreements, costing schemes, output restrictions, and price fixing.

RELIEF IS RUINING MY TOWN. Ray Bert Westerfield. *Nation's Business*, August. The waste in government relief; the manner in which it should be curbed.

SHOULD EXPORT ADVERTISING BUDGETS BE INCREASED FOR 1935? Earl T. Russell. *Export Shipper*, Aug. 6. Exports are already increasing; new trade agreements are pending; first sales will be made by companies which have revived interest in their products.

REPORTS—SURVEYS

DIGEST OF GOVERNMENT EMERGENCY AGENCIES. U. S. Information Service, Washington. Mimeographed circular showing purposes of many new acts and where to get information. Also Master Chart of the government departments.

MODERNIZATION CREDIT PLAN. Federal Housing Administration, Washington, 14 pp. Information for banks and finance companies.

AIR CONDITIONING: PLANNED AND PROVED. Clyde R. Place, New York, 17 pp. What air conditioning offers; special requirements analyzed; list of larger installations in this country and abroad. For architects and builders interested in developing a new project.

Codes at Work

Incidents and problems that arise in the activities of the coded industries.

THE lumber code authority has many hard nuts to crack. Latest and one of the hardest: A species division reports that Fisher Body Corp., one of the biggest buyers in its field, has offered to buy a large quantity of lumber at 12½% below minimum NRA code prices and that orders for half of the amount have been accepted. Those who got the orders were glad to make a turn, say that, on the basis of pre-NRA figuring, the price gave them a profit. But some of their competitors are now demanding prosecution and NRA has promised action. Others are audibly wondering whether enforcing NRA prices is just running the risk of forcing such a buyer into the hands of the steel or aluminum industries.

The furniture manufacturers object to the method used under the lumber code for determining "lowest reasonable cost," are going to have a hearing Sept. 19. They, too, might get along with less lumber, use more substitutes.

* * * * *

CODE authorities have received the distinction of separate classification in the latest directory of the New York Telephone Co. Over 130 are listed under the head "NRA Code Authorities." Those who have occasion to consult Code Authorities or report violations will find it easier to locate address and phone number, the company expects to handle more calls. The same plan is to be followed in other cities where numerous code authorities are located.

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IF current trends continue, standard code provisions will have many strange bedfellows. More than one industry has included types of specifications and standardizations wholly unrelated to the intent of NIRA. Manufacturers operating under the pyrotechnic (fireworks) code, with the blessing of NRA, have agreed to make firecrackers and other noise-makers "comparatively harmless" so as to reduce Northern July 4th and Southern Christmas Day casualties. Wholesale tobacco establishments operated by orthodox Jews have Washington's permission to keep open on Sundays (contrary to the code) so long as they observe their own Sabbath—the calendar's Saturday. This ruling is expected to give Jewish wholesalers a chance to hold their trade, and incidentally will give all retailers a chance to replenish stocks 7 days a week.

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THERE are large and small concerns in the California sardine processing industry, and in 1932 they produced over 45 million pounds of canned sardines, but competitive conditions were reported extremely bad. Now a cooperative concern of sardine boat operators tells NRA that their code has stopped "destructive price-cutting, chiseling, rebates and other such practices" that had brought everybody in the business "to the brink of ruin." They "hope that the emergency legislation which has saved our industry will be made permanent."

* * * * *

LATEST snarl over unexpected effects of NRA codification involves constitutional property rights. A pocketbook manufacturer found New York City wage scales imposed by the International Pocketbook Workers Union so high that he began to look for a location where labor costs would be less, found it in Greenfield, Mass., and moved there. Labor union leaders were alarmed, protested, wanted such moves prohibited. The mayor of New York City saw tax revenues threatened by the possibility of an exodus of industries from the high-cost metropolis.

When a toy manufacturer decided to move for identical reasons, the Doll and Toy Workers Union took the case to a New York Supreme Court judge, who held that the concern might be enjoined from moving if it were shown that the move was made to circumvent the NRA agreement, but declined to act pending trial for permanent injunction. Those familiar with the terms of the agreement between the toy manufacturers and the union say that there is nothing in it to restrict the free action of manufacturers so far as location is concerned. Champions of NRA point out that many codes recognize wage differentials according to location, but none restrain manufacturers from operating where they please. They predict that the judge who issued the temporary injunction is in for a reversal.

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PROPONENTS of the open-price plan for properly standardized products cite the recent report of the National Electrical Manufacturers Association as an outstanding example of its successful operation. This shows 2,048 companies have qualified for the Filed Price Department, have filed 2,927 price lists, and active price calls now in effect total 3,144. Only 6½% of those called upon for prices have not complied, and that percentage is likely to shrink materially, as a number of the concerns affected may be able to show that they do not properly come under the code of the electrical industry.

Canadian Codes

Ontario and Quebec seek NRA's labor objectives through industry conferences under government.

OTTAWA (*Special Correspondence*)—Exposure by the Stevens parliamentary committee last session of sweat-shop conditions in Canadian industry (*BW—Mar10'34*) is resulting in remedial action in both Ontario and Quebec. Although the Stevens probe was federal and is not yet completed, both the Ontario and Quebec provincial governments have taken notice of the evidence and are moving in.

Zone System Set Up

Ontario workers are to be protected by minimum wage and maximum hour schedules applying to all industries in the province. The old minimum wage law which failed to prevent the abuses revealed by the Stevens committee at Ottawa is to be scrapped and replaced by legislation establishing something like an industrial code system. The province will be divided into zones for each industry. Within these zones conferences of employers and employees will determine minimum wages, maximum working hours, and other working conditions. Where conferences fail to agree, the provincial government will make the decisions. Conference or government decisions will apply to every company within the zone.

Collective bargaining by labor organizations is in the scheme. Recognized unions will be required to represent the workers in the conferences and employers will be asked to form themselves into associations for the representation of their side of the case. Conciliation officers may be appointed to assist the conferences in case of dispute. Breaches of agreements reached will be punished by heavy fines. Employee violators will be required to return part of their wages to employers. Their organizations will have certain powers for seeing that the agreements are carried out. The Ontario Labor Department states that the scheme will embrace office help, restaurant workers, and others not now organized in labor unions.

The scheme will be set up under legislation to be enacted, which legislation will make no attempt to determine wages or working hours.

Quebec Shoe Shops

The Quebec government is fostering an experimental establishment of wage zones for the shoe manufacturing industry. In that province a considerable part of the industry moved from the cities to rural communities years ago to secure the benefit of cheaper labor, especially female labor. The present scheme is to fix up minimum wage rates in both rural and in urban zones that will prevent sweating.

Automobile Exports

Car makers, watching revival in foreign sales, say tariff reciprocity is needed to carry on the cheerful improvement that currency depreciation has started.

WHILE the automobile industry was busy in the first 7 months of this year turning out 50% more cars for American consumers than in the same period of 1933, car sales in the overseas markets took a gratifying upward trend.

Car exports (excluding Canada) amounted to $109 millions in the first half of this year, compared with $93.9 millions for all of last year and $82 millions in 1932. Measured in total registrations of motor vehicles, American car sales overseas in the first 4 months of 1934 (latest period for which complete figures are at hand) totaled 74,146 units, a gain of 82.5% over the 40,510 units sold in the same months of last year.

Dollar Exchange Did It

Perhaps even more significant than the increased sales was the fact that American car makers garnered 23.4% of the overseas business, whereas last year they secured 17.5% in the January-April period. After all other influences contributing to this improvement have been considered, one main factor stands out as being responsible for the foreign trade expansion—the depreciated American dollar.

While this situation has been a happy one, it is still loaded with potential difficulties for the American automobile manufacturers. If they profit too much at the expense of domestic makers in any country, tariff walls against American imports may be built still higher. Then again, if the U. S. should veer away from inflation and back toward an orthodox financial policy, present advantages in the overseas markets would be destroyed overnight. With its foreign sales gains resting on such an unstable foundation, American car makers are looking toward reciprocal tariff agreements to help give them a better competitive position in the markets abroad. To support their claims that such agreements are necessary, they relate an interesting story of what excessive nationalism has done to the export of motor cars.

Detroit divides exports into two parts—those to manufacturing markets (England, France, Italy, Germany), where sale of American cars is restricted by competition from local builders; and those to non-manufacturing markets (all other overseas countries), where American cars normally have enjoyed leadership. In the manufacturing markets 581,656 cars were sold in 1929, the biggest year on record. Sales declined for 3 years, reaching their lowest point in 1932 at 406,946 cars, or only 31% under the all-time peak (as against 75% in the U. S. and Canada). Yet in the same period sales of American cars dropped from 13% of the total in 1929 to 2.7% in 1932. The decline in the volume of native manufacturers was moderate. It must be remembered, of course, that included among native manufacturers are American-controlled companies such as Opel and Vauxhall (General Motors), Ford of England, Ford of France.

Bad News Elsewhere

But even in the non-manufacturing markets the American automobile industry has slipped considerably. In 1929 the U. S. share was 84%, fell off to 59% in 1933, recovered to 67% in the early part of this year. The high point was 769,864 units in 1929, the low point 202,878 in 1932.

A look at the entire overseas market shows what a drastic shrinkage has occurred in American car sales. The influence of the slump in demand for

How American and Foreign Automobile Makers Split Sales in What We Call "The Export Market"

Year	*Manufacturing Markets**		*Non-Manufacturing Markets*	
	American	*Foreign*	*American*	*Foreign*
1929	75,756	505,900	646,907	122,957
1930	41,818	472,319	377,250	92,350
1931	22,313	430,040	224,290	77,706
1932	11,325	395,621	122,770	80,108
1933	13,347	481,073	142,636	97,074
4 Mo. 1934	4,562	199,640	69,467	33,031

*England, France, Germany, and Italy, where sale of American cars is restricted by competition from native automobile manufacturers.

American-made cars is revealed in the over-all figures:

	1929	1932	Per cent Decline
American source	725,110	134,432	81.5
Foreign source.	665,843	509,229	23.5
All sources....	1,390,962	643,661	53.7

These figures show the results of the heavy penalties imposed against American cars during the depression. Duties on low-priced American cars ranged from 20% ad valorem in some countries to 473% in others. Specifically, the equivalent ad valorem duty rate on a low-priced 4-door sedan is 20% in South Africa and Sweden, 40% in the Argentine, 107% in Belgium, 127% in France, and 473% in Italy. In other countries the average rate is around 30% to 40%.

Trend Reversed Quickly

American sales abroad began to rise shortly after President Roosevelt assumed office and the U. S. abandoned the gold standard. With one exception, they have continued to reflect vigorous gains over the corresponding months of the previous year.

Passenger cars have been getting an increasing share of the total American overseas car sales since 1929. At that time only 53.7% of the sales were of passenger cars. By 1933 the portion had risen to 77.7%.

Sales abroad of higher-price cars have improved substantially this year. Buick, for example, has shipped 6,087 cars abroad since introduction of 1934 models last December, as against 2,337 in the same period of last year. Buick estimates total shipments for the year at 8,960 cars, or 4 times the 1933 volume. The bulk of export business, however, is in low-priced cars—90% of the total.

Goal 1 Million Yearly

Further improvement in world sales of motor cars looms ahead as recovery proceeds. But American manufacturers say they cannot afford to try to build a permanent export business on as impermanent a foundation as a fluctuating currency. The chief task is to see that costs are more and more reduced so that cheap transportation is brought within the reach of the greater masses of people everywhere. The way to do this, they assert, is to lower tariffs in other countries against American automobiles through reciprocal tariff agreements. If this is done, the industry envisions a foreign market (including Canada) for 1 million American cars a year or the equivalent of markets in 28 of our own states.

To support its reciprocity propaganda and pacify those who see themselves hit through the widened door to imports that reciprocity involves, the automobile industry points out that car materials and parts sales affect employment and purchasing power in all 48 states.

Business Abroad

Sterling fluctuations cause more worry abroad than in London. Berlin's threat of further moratorium likely to be carried out soon, with all foreign trade on strict barter basis. French business fails to revive. Cuban treaty brings prompt results.

Europe

EUROPEAN NEWS BUREAU (*Wireless*)—Europe devoted more attention to fluctuations of the British pound and to reports from Berlin of possible moratorium extensions than to any other news.

Each capital had its own explanation for the weakness of the pound. Paris declared it was due to a loss of confidence in the future of sterling on the part of Europe and many of the Dominions. Englishmen declared it was due to the decision of officials controlling the Exchange Equalization Fund to conserve their resources as far as possible to meet possible needs in the immediate future should a monetary crisis develop on the Continent or in the United States. All admitted that this is the usual heavy import season in Britain when there is usually pressure on the pound.

Currencies Threatened

European currencies are not in an easy position. It is openly admitted in any well informed group that the gold bloc group might slip off gold over night. But it is equally true that few Europeans expect any such move until late October at the earliest. Banking reorganization in Belgium, however, and constant pressure from the export group in Holland for a devalued florin indicate some of the cross tensions which might just possibly precipitate the move. And the growing fear that President Roosevelt will be forced to devalue further this winter is adding to the uncertainty. South Africa's attitude is reflected in the announcement that gold shipments to London will be discontinued for the present. There need be no surprise, however, if the Equalization Fund allows the pound to slump gradually to somewhere near the old parity of $4.86.

New Default in Germany

Scarcely less important is the series of rumors from Germany that the country may yet declare a far more complete moratorium than has yet been enforced. While creditors would suffer from a loss of service payments which are continued now on a restricted basis, the chief effect would be the placing of the country's foreign trade even more rigidly on a straight barter basis. Europe would be affected by the disturbance of shifting trade, but not so much as the United States where not only are there large credits which would no longer be serviced, but where there is a large favorable trade balance with Germany which is bound to be lessened if not wiped out.

Russia's tension with Japan in the Far East has not been removed but it seems likely now that the situation will be ironed out for the present. Manchukuo and the Soviets are reported to have come to terms this week on boundary and navigation problems of a technical nature and Europe is inclined to view the agreement more or less as recognition of the new Japanese state by Moscow. Such a concession from the Soviets, if substantiated, almost surely would bring return courtesies from Tokyo.

Russia Ships Silver

The first shipment of silver from Russia to the United States arrived recently, and totaled, according to unofficial estimates, about 100,000 fine ounces. Significance attaches to the move because Russia is known to have considerable quantities of silver which may possible be used for payment of foreign obligations. Production in the Soviet Union last year is said to have reached 1 million ounces. Shipments abroad in recent years are tabulated by the American Bureau of Metal Statistics, with the careful notation that the fineness of the silver varies and that the actual amount of silver can only be estimated.

	Gt. Britain	Germany
1934 (7 months)	11,285,286	3,004,835*
1933	24,529,881	34,283,828
1932	8,483,558	16,614,400

*Six months.

It has already been pointed out that Russia last year jumped to second place (following South Africa) as a producer of gold, surpassing Canada and the United States. Gold also has been shipped abroad in considerable quantities by the Soviets to meet their obligations for heavy purchases under the Five-Year Plan.

Germany

Business questions wisdom of Schacht threat of complete debt moratorium in face of need for credit to cover current import needs. New trade policy shaping.

BERLIN (*Wireless*)—Two weeks ago, Germans devoted their Sunday afternoon to their radios. At 4, Herr Hitler, President and Chancellor, spoke with his usual eloquence and fervor but editors—thumbing through the pages of his speech—found few high lights and little that was new to feature in their columns.

Speaking later on the same day at Leipzig, Dr. Schacht, dictator over Ger-

Europress

EAST GERMAN FAIR—The German government is diligently trying to make East Prussia and the Fatherland (separated by the Polish Corridor) commercially one by fostering closer trade relations. Koenigsberg's big fair was held again this year although East Prussia, primarily agrarian, was hard hit by the agriculture depression. Business was more active than in 1933.

man business, spoke to a small audience of possibly 1,000 persons. Because his speech practically coincided with the great Saar Day address of the Chancellor, it received little attention until its import began to be comprehended. When last Sunday Dr. Schacht spoke without a competitor, his words received wide attention. Germans and foreigners realized that the Reich probably was arriving at another crisis point, that radical changes of policy are imminent.

What Germans Expect

What the best informed Germans think is in store is this: the entire debt structure will be reviewed and the present moratorium status will be intensified; there will be no immediate changes in the recent transfer and clearing agreements with European creditors; American bondholders—practically defenceless because of America's active trade balance with Germany—will be pressed to support Germany's demands for trade concessions from the United States if they want further servicing on debts owed to the United States. What will happen to "standstill" credits (used currently for the financing of imports) remains a problem, though the Reichsbank has definitely denied that any new moratorium will include them, at least in the immediate future.

Dr. Schacht's attitude toward the various clearing agreements, most of them with European countries, obviously is turning extremely critical. For the first time since the agreements were made, the amounts which have been paid into them by Germans have been made public. There were 68 million marks in March, but by June the monthly total had jumped to 94 millions, and in July to 130 millions. This latter figure means that nearly one-third of Germany's total imports are now being paid for via clearing accounts.

Two Drawbacks

Apart from technical difficulties which this method of settling international commercial debts presents it has, according to Dr. Schacht, two fundamental drawbacks: (1) it tends automatically to do way with any export surplus which Germany may still have with individual countries; and (2) it nullifies the effect of raw material restrictions for German importers, confronted with the impossibility of securing foreign exchange to buy their raw materials, buy instead partially finished goods from countries where these balances exist.

There are two good reasons, however, why existing agreements will not be abrogated. In the first place Germany cannot do without them because there is no other way of obtaining a number of essential imported commodities. Also, abandonment of a voluntary clearing system would in most cases lead to the imposition of compulsory clearing by the country affected.

One more warning was issued to importers. "We must adjust our import trade to our ability to pay," declared the economic dictator of the Reich, and he went on to explain that this meant that it would be necessary first of all to do away with the present system of permits and allocation and to substitute for it a new unified procedure. Under this new procedure only the importer actually holding one of the new "foreign exchange permits" from the government will be able to secure the foreign exchange necessary to meet his bill when it falls due. Though Dr. Schacht did not give any details, apparently the idea is to do away with fixed quotas for individual firms and to allocate available resources on a plan system with sharp differentiation between essentials (primarily raw materials) and other goods. Dr. Schacht was most emphatic in his warning to importers not to go beyond these permits in their current commitments.

Business leaders did not hesitate to express their doubts over the timeliness of Dr. Schacht's remarks regarding complete moratorium possibilities when Germany is desperately in need of sufficient credit to cover current import needs. Nazi policy, however, is not likely to change. Germany evidently is prepared to burn her bridges as she goes along. There are plenty of leaders who declare that new credits now could do no permanent good and would only delay the time when Germany must eventually work out her own salvation economically.

France

No improvement in French business. Paris continues to attract gold, but situation can be reversed on short notice.

PARIS (*Wireless*)—Business generally in France is no better than it has been for some months, and the outlook is not bright. In the textile industry, particularly the woolen section, there is some improvement following the easing of the restrictions on sales to Germany. Counterbalancing this one slightly favorable development is a perceptible spreading of discontent among French farmers due to unsatisfactory prices they are receiving for wheat. Despite the fact the country has a smaller crop than a year ago, it is still large enough to meet domestic demand. Carryover from last year, however, is sufficient to meet nearly one-third of the country's needs and is depressing the market. Attempts by the government to maintain wheat prices at artificial levels have failed because discontented farmers have undersold government quotations. New efforts are going to be made by the government to encourage feeding of grain to stock, to expand exports, and to enforce milling regulations requiring a large proportion of domestic grain.

Improvement on the Bourse, which became evident more than a week ago after a prolonged period of inactivity, has been short lived due largely to reactions to Dr. Schacht's threatened extension of the moratorium on German debts, to strike news from the United States, and to the further depression of sterling. Paris interpreted the weakness of sterling which persisted until the British Equalization Fund came actively to the rescue as due not to speculation but to a loss of faith in the pound by certain European countries and a few of the Dominions. In several cases, funds from these countries have been converted into gold and francs. This has been true particularly of Swiss funds.

Gold has been flowing into France lately at the average rate of about a quarter of a billion francs a week. This amount was more than doubled in the latter part of August. Paris has its own explanation of these continual imports of yellow metal.

The English market is now nearing the period of heavy international payments, thus giving a regular seasonal weak tendency to the pound. In normal times this tendency toward weakness, reflecting transfers of funds from Great Britain to the United States, has its corresponding effect in a particular firmness of the dollar, since most of the London payments are due to New York. This year, however, the various inflation rumors which have come from the United States and which have to some extent been embodied in the silver legislation, have created at the same time export of American capital either real or through an international dollar short-selling situation. The combined weakness of the dollar and the pound has caused transfer of funds to France with corresponding imports of gold. There is no doubt that this trend can be quickly reversed should the business and political situation shift suddenly for the worse, or should eventually one of the minor currencies of the gold bloc succumb.

Great Britain

Pound fluctuations accepted calmly by London. Big Woolworth dividend anticipated. Commodity position not good, but general tone still hopeful.

LONDON (*Cable*)—English executives have been discommoded by the violent fluctuations of the pound during the last week, but not seriously worried. For some weeks business has known that the Exchange Equalization Fund was operating only in a small way, and that it was building up its reserves ostensibly to meet any major crisis which would follow any move by the gold bloc toward devaluation. Coming at a time when Britain is normally importing heavily and when there is a larger than usual demand for sterling exchange, new lows were registered before the fund became operative. But at the first indication of official support, speculators took their cues and began to cover in sufficient volume to push the pound back above the $5 level in New York and near the old 77 franc level at which it has stood for so long in Paris.

In London, rumors from the Continent that Britain was deliberately allowing the pound to drop to its old parity are discounted only in part. It will be no surprise to the better informed Eng-

lishman if the pound gets back to the old $4.86 level soon because of the advantage it would give to Britain's export trade which has revived during the last year, but which has not kept up with the progress of most other business. England still fears that even the determined Dr. Schacht will not be able to keep the German mark on the "apparent" gold standard, and that its collapse will precipitate serious repercussions in Europe. A pound, gradually cheapened, will be in a better position to meet a new crisis with the smallest possible jolt to British business.

England Still Confident

Although business remains quiet owing to holiday influences, there are still further signs recently of reawakening confidence. This confidence probably outleaps the actual signs of improvement, although rail traffic in a recent week was the best since 1930 and the luxury and semi-luxury trades report bigger orders than for some time past. It is still difficult to survey with accuracy the short-term trend of affairs at the approach to the autumn-winter season. Whether British home recovery is off its recent plateau or not has still to be proved. London expects a spurt of activity in September and October.

Industrial production in Britain for the second quarter of 1934, according to the week's estimate of the Board of Trade, shows that activity has been 0.7% greater than in the preceding quarter and 14.1% greater than for the second quarter of 1933. The index number is the highest recorded since the March quarter of 1930.

London, pondering Dr. Schacht's threat of a complete moratorium on Germany's long-term indebtedness, is roundly denouncing the suggestion. To the Englishman, Germany's deplorable export position is nothing more than her foreign policy is bound to bring to her. Nevertheless, London looks on the public pronouncement as a forerunner to complete default by Germany, no matter what her creditors may say.

Four Developments

Business and trade watched four other developments with considerable interest. Canadian insurance companies have announced a reduction of 6d in the pound on annuities to United Kingdom investors; British insurance companies are expected to make a similar move, though their annuities are not now as generous as the Canadian.

Australia's decision to allow British cotton goods to enter the country duty free if ordered before Aug. 2, no matter what the date of arrival, is only a small concession to England, but there is some hope that Canberra's promise to reconsider the new duties will bring good results. Meanwhile, retaliating Lancashire business men have postponed their boycott on Australian goods until merchants can clear current stocks.

The English Woolworth's is exciting the investment public with possibilities of a 90% or even a 100% dividend this year. The company was formed in 1909 with some £50,000 capital. It is now capitalized at over £8 millions. The structure has been expanded entirely on reinvestment of profits. Hitherto the chain has had no serious rival. Marks and Spencer, who open stores near every Woolworth unit, begin their price range where Woolworth leaves off. Recently, however, Great Universal Stores, an English company engaged in the mail order business, has announced the creation of 100 stores. Four are to be built this year and 8 to 12 next year. This may in some measure attack the Woolworth hold on the public.

Commodity experts are worried about the general position. Rubber has now by production regulation attained a price that is so far above cost of production that it is felt that unless demand rapidly increases consumers will not tolerate the effects of the regulation scheme. Tin is similarly too high. Copper on the other hand cannot make headway

SOVIET LOCOMOTIVE—Trade revival between America and Russia should stimulate our sales of heavy equipment for Soviet railroads, development of which is so vital to her standing in the Far East. Here, however, is a notable example of Russia's productive ability, a locomotive with twin 1,050-hp. diesel engines.

Far East

Japan is ready to combat Australian tariff increase on cotton textiles; makes plans for new trade drive in Balkans.

No new developments having arisen during the week in the controversy with the Soviets over the Chinese Eastern Railway, Japan turned its attention again this week to trade developments in various parts of the world.

The decision of Australia to impose higher tariff rates on Japanese cotton cloth has brought a protest from the cloth exporters through the Foreign Office. Only chance to counter the Australian move against Japanese imports is for the woolen division of the country's textile industry to boycott Australian wool, but this is not entirely feasible. The Japan Wool Industry Society has declared that it can do little more than reduce its imports of raw wool from Australia by 30% or 40% and shift some business to South Africa or South America.

Smaller Wool Dividends

The woolen industry is depressed at present and this may do as much as anything to reduce purchases from Australia. Stocks in Japan are large and with prices on Australian wool falling rapidly, business uncertainty continues to spread. All leading woolen textile manufacturers are expected to reduce their dividend rate for the current season.

Japan's cotton textile industry is making an attempt to shift Japanese purchases of raw materials to the various countries of South America so as to balance off steadily increasing purchases

of Japanese goods in that part of the world. Exports to various Latin America countries in the first 6 months of 1934 have just been announced:

(In ¥ 1,000)

To	*1934*	*1933*
Peru	3,069	185
Chile	2,487	502
Argentina	6,331	6,312
Brazil	1,454	1,385
Uruguay	2,783	606
Others	6,027	3,337
	22,158	14,002

The Cotton Textile Export Encouragement Association, which last year sent its members to Central and South America for exploitation of new markets, has so far had satisfactory results. Because of this, the Osaka Cotton and Rayon Cloth Exporters Guild has decided to send three of its members to the Balkans next month. These traveling salesmen will represent both exporters and manufacturers. They have arranged to land at Karachi, India, first and then proceed overland to Persia and the Balkans. They are expected back home in eight months.

Japan's Ministry for Commerce and Industry has just released data on the country's mineral production for the fiscal year just ended showing some large gains and a few setbacks. Quantity output of gold increased 9.9%, silver 13.4%, lead 6.4%, tin ores 3.1%, quicksilver 238.8%, zinc 13.4%, pig iron 47.7%, steel 80%, coal 15.9%, and sulphur 35.4%. Decreases in output ran to 4% for copper, and 11% for crude oil. Gold output has been encouraged by the government, which has ordered the Bank of Japan to purchase the metal.

Latin America

Cuba trade agreement brings prompt results. Details being settled on Brazil pact.

THERE is an air of hopeful expectancy in most of the news from Latin America this week. The new trade agreement with Cuba is already producing results. Stocks which had been arriving in Havana warehouses are being distributed to merchants whose shelves were nearly bare, and on the new favorable duty terms of the agreement. Reorders are already reaching the United States for a large volume of goods ranging from lard to automobiles. Only the textile exporters have protested the treaty and they are asking for further concessions from Cuba for their goods.

Nothing further has developed regarding the Brazil treaty but reports from Washington indicate that details are being settled and that final signing of the agreement may be expected soon. Meanwhile reports from Rio de Janeiro are increasingly optimistic regarding both the political and the commercial outlook. Foreign exchange is becoming available in larger volume and there is every reason to believe that buying of foreign goods will continue to expand.

Money and the Markets

Falling exchange rates lead to some fears of a new devaluation war, fresh domestic inflation. Government bonds are soft prior to large federal refinancing. Stocks gain in quiet market.

Money and Banking

THE churning of foreign exchange rates continues and is creating increased concern in domestic financial quarters. Bankers fear that, unless some measure of stability is achieved in the near future, further devaluation of the dollar may be forced upon the Administration. They do not believe that Washington wants another cut in the gold value of our currency at the present time but they can foresee how such a step might be necessary to save the gains of inflation.

The initiative in the current upset was taken apparently by England. The pound was unpegged and allowed to fall from natural causes or perhaps was even aided in its decline against world currencies. The purpose behind the move, it is believed, was to provide a stimulus to foreign trade which had lagged behind in the general British recovery.

Dollar Weak, Pound Weaker

Concurrently, the United States, at a time when exports were seasonally heavy, making for dollar strength, entered the silver markets of the world and purchased large quantities of the metal. The silver imports offset to some extent our agricultural and merchandise exports but are not thought to have been large enough to cause the dollar weakness that ensued. Speculators, studying the situation, sold dollars and bought francs. A partial correction was made by the shipments of substantial amounts of gold from this country to Europe. The pound, dropping even faster than the dollar in terms of gold currencies, fell below $5 before it was supported by the British Equalization Fund.

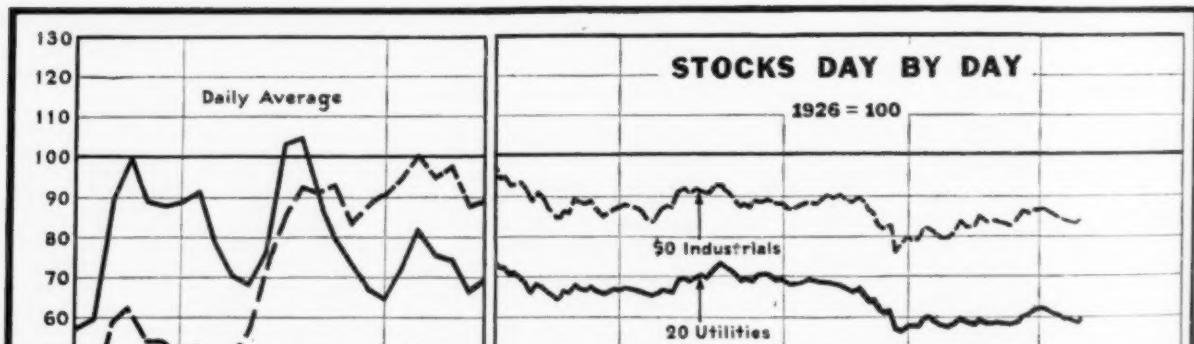
This new wave of exchange depreciation again raises the question of how long France can stay on a gold basis. While an immediate devaluation of the franc is not looked for, it is generally thought that the present changes have brought it considerably nearer. And should France join the race for lower currency values, there is little prospect that the United States would hold the dollar at 59.06. The chances for an international pact for the stabilization of currencies seem further away than ever.

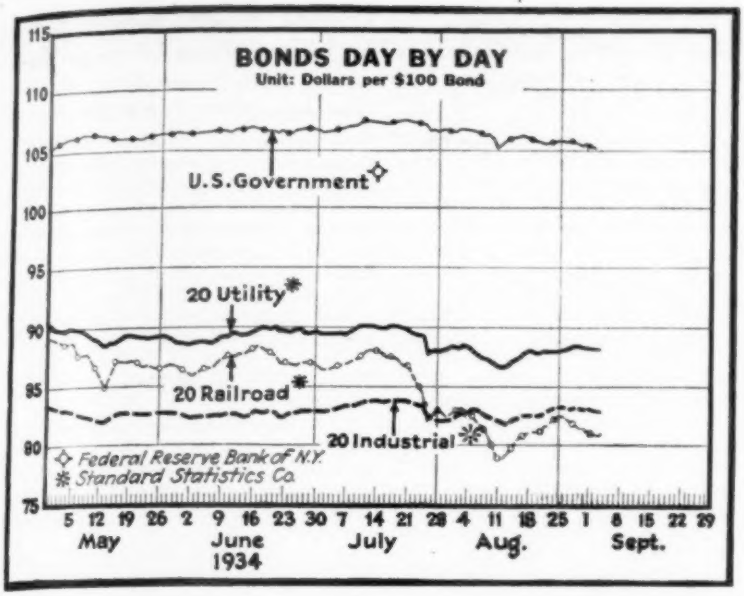
Europeans point to the expenditures of our government as one of the reasons why they expect a further cutting of the value of the dollar. Washington does not believe that this influence will be important, looks for a closer balancing of the budget in the coming fiscal years. Daniel W. Bell, Acting Director of the Budget, who has just replaced Lewis W. Douglas, starts this week to prepare the estimates for the 1936 fiscal year which must be submitted to Congress shortly after it convenes next January. The Treasury, too, has started to lay its plans for the garnering of additional taxes. There is some talk that a sales tax may be suggested to Congress to take the place of the so-called nuisance taxes that expire July 1 next. In drawing up its plans, the Treasury will be aided by the group of experts headed by Dr. Roswell Magill which has been studying tax experience abroad (*BW—Jun30'34*). This group has now returned to this country and has submitted its report.

Bonds

THE bond market, following the Labor Day holiday, was greeted with a new wave of liquidation. Prices moved lower in almost all classes but the decline was most noticeable in second-grade rail and government issues. There was strong evidence that the Treasury was supporting federal bonds but the support was insufficient entirely to stem the reaction. It seems likely that the market will continue to be disturbed until the Sept. 15 financing is well out of the way.

The Treasury has just made a statement to the effect that the details of its forthcoming offering will be made public Sept. 10 and that the refinancing will provide for both the $524 million $1\frac{1}{2}\%$ certificates of indebtedness maturing Sept. 15 and the $1.2 billion Fourth Liberty $4\frac{1}{4}$s called Oct. 15. The statement also intimates that the offering will be carried out in an orthodox manner and that the gold profit will not be





used to take up any part of the maturing debt. That such a statement was made and that the announcement of the offering should be delayed until the 10th are indicative of the nervous condition of the government bond market at this time.

The statement of the Reserve member banks reveals those institutions as sellers of government securities. The net amount of the decrease in their holdings is not over-large but it is understood that they have been disposing of the longer-term issues while purchasing slightly smaller amounts of those with a nearer maturity date. This preference, which finds a reflection in price movements, leads to the rather general forecast that the new offering will consist largely of short-term obligations. The fear of further monetary manipulation acts to bar a really long-term issue at this time, excepting, of course, on a high-yield basis.

The investment demand for high-grade bonds continues despite the unsettlement in the government list. Several corporation issues are expected to materialize shortly—one of $18 millions for Consolidated Gas of Baltimore and one of $24 millions for Republic Steel are among the largest—and the RFC, cheered by the success of its earlier sales of PWA bonds, will make another offering of 21 issues aggregating $4 millions on Sept. 12. These issues all carry a 4% coupon and bids above par are anticipated. The sums so obtained will be used as a revolving fund for the extension of the public works program.

Public Offered PWA Bonds

RFC sales are becoming an important source of bonds for dealers, particularly in view of the small volume of corporation financing. A banking group is now offering to the public $1.2 million C&O equipment 4s purchased at the last sale and two weeks earlier a similar group offered $1.2 millions Lehigh & New England equipment 4s also obtained from the RFC. There have been relatively few other offerings of substantial blocks of equipment trust certificates on the market during the past year.

Stocks

THE stock market had to absorb some bad news at the opening of this week but managed later to stage a fair recovery that regained a portion of the losses made in the decline of the week preceding. The rally was probably technical in character since there was little increase in volume of transactions. The public, maintaining its position on the sidelines, remains unimpressed over the prospects of a fall boom. The brokers, quick to trim their sails, have been cutting overhead, releasing customers' men and clerks.

Security Registrations Lag

The record of trading on the New York Stock Exchange shows that during August sales amounted to only 16 million shares, the smallest total for that month since 1923. Approximately the same number of shares were traded in on the single day of Oct. 29, 1929. Sales for this year to date are about half of those for the same period of 1933, and the income of brokers from commissions has been reduced in almost equal proportion. There is a tendency in Wall Street to blame this condition on the SEC, but it is difficult to learn just which regulations have been responsible for keeping the public away from the market. Most of them have not as yet become effective.

The regulation attracting the most attention at the present time is that calling for the registration of all securities listed on the exchanges. Unless these registrations are filed by Sept. 15 the security may not be traded in after Oct. 1. Many corporations have neglected to act promptly in this matter and the New York Stock Exchange has found it necessary to speed up the applications by filling in the forms for the sponsors of nearly 1,200 issues listed in that market. It has requested corporate officials to check the data and return the forms as quickly as possible to avoid a last-minute jam. Observers are wondering whether any of the corporations with listed shares will fail to apply and, by surrendering their listing, sidestep the information requirements contained in the Act.

The SEC undertook a new set of duties this week in addition to its control of exchanges. In accordance with the law, the administration of the regulations covering the issuance of new securities, heretofore carried out by the Federal Trade Commission under the terms of the Securities Act of 1933, was transferred as of Sept. 4 to the new body. The rules and forms drawn up by the FTC will be continued for the time being.

Commodities

COMMODITIES at wholesale advanced 4% during August, according to the Bureau of Labor Statistics, the sharpest monthly advance of the year. Farm products with a spurt of 14%, food advances of 8%, dictated the direction of price movements. Elsewhere, fractional advances in fuel and light products, chemicals and drugs, miscellaneous classifications failed to offset fully a 2% drop in hides and leather, and smaller reductions elsewhere.

Price movements since Sept. 1 have been indecisive, although a firm tone has prevailed in the face of a hesitant disposition on the part of buyers. Hides and leather, the outstanding weak point in August, gave some promise of rallying as the government's plan of absorbing hides from slaughtered cattle became effective Wednesday.

Strike Effects

The depressing effects of the textile strike on cotton was balanced by further reductions in crop prospects, while large inventories of yarn and cloth on hand precluded any distinct reflection in their markets.

Announcement of a 2.29¢ per lb. minimum export price for Cuban sugar indicates that the island hopes to get the full benefit of the tariff reduction which became effective this week. For the moment, however, importations are barred by the supplies of sugar brought into this market under bond in anticipation of the tariff cut. These supplies, worth 1.72¢ before the tariff cut, have been marked up to about 2¢, where they still sell almost 30 points under Cuba's new minimum price. Trade sources think there may be sufficient bonded stocks to keep Cuban sugar out of the market for months, largely invalidating the benefits of the treaty since the current allotment expires Jan. 1.

The petroleum industry fears renewed price weakness in gasoline despite heroic efforts of a majority of the trade to overcome the excessive production and stock situation. Announcement this

week that major companies had purchased 210,000 barrels of "illegal" gasoline from small East Texas refiners inaugurates a plan contemplating purchases of 50,000 barrels daily in the hope of clearing up this depressing factor in the market and distributing it through regular channels. Purchases are predicated upon promises of the refiners not to run more "hot oil." Simultaneous dispatches from Texas, however, reported hundreds of carloads of "hot oil" and its products being shipped out into scattered market areas. There is considerable agitation among the smaller refiners for uniform reduction in crude prices to meet the competition from this source, but, so far, the posted prices have stood. Some buying agreements have been suspended, however.

There was occasional softness in the London silver market this week, tending to discredit the assumption that Treasury purchases would be large and consistent enough to dominate the world market completely. At the same time, a new and incalculable source of silver appeared when a shipment from Russia arrived. Athough not recognized as of consequence in silver production, Russia has exported some 100 million oz. of gross metal over the last few years, previously to Germany and England. Silver content of the metal has varied greatly with low average fineness. Since payment for the Russian metal will have no bearing on exchange rates the transaction provides an illustration of the fact that foreign silver purchases are tantamount to importation of merchandise in the creation of foreign purchasing power for American goods.

Drive for New Business

A modest pickup in speculative trading after the holiday was at firmer prices. The drive brokers are making for new business to supplement dull stock trading should be bullish, especially since futures markets have lagged behind the advance in spot quotations in many items.

Bond Blue Eagles

Investment Bankers Code Committee, having completed registration, lays plans for enforcement.

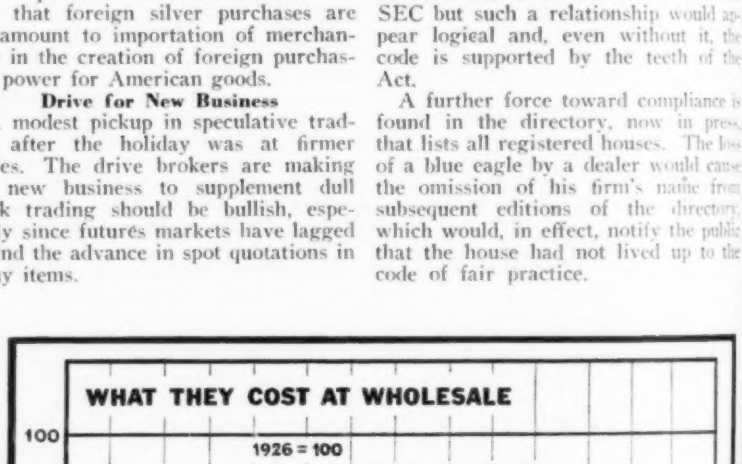
THE Investment Bankers Code Committee has opened a branch office in New York in order to obtain full compliance with the strict terms of its code. The work of signing up investment bankers is practically completed with 2,800 houses now registered. But enforcement, requiring as it will a close supervision over the operation of all those who deal in securities outside of the exchanges, is bound to be difficult and the committee is preparing to meet its problem.

First Compliance Moves

Small abuses, such as telephone solicitations, high-pressure salesmanship, etc., have already arisen and some steps toward enforcement have already been taken. The New York office, by providing a convenient place for the public to make complaints, may broaden the scope of the committee's compliance work.

In this task the committee is perhaps more fortunate than most code authorities. The investment bankers code, as signed by the President, goes beyond the Securities Exchange Act in many instances yet serious violations to the code would be likely to be violations to the Act. There is as yet no official link between the code committee and the SEC but such a relationship would appear logical and, even without it, the code is supported by the teeth of the Act.

A further force toward compliance is found in the directory, now in press, that lists all registered houses. The loss of a blue eagle by a dealer would cause the omission of his firm's name from subsequent editions of the directory, which would, in effect, notify the public that the house had not lived up to the code of fair practice.



Editorially Speaking—

The Electric Home and Farm Authority has established a new financing policy in territories served directly by TVA power. EHFA low-cost financing of domestic electrical equipment may now, on application of the retailer, be extended to the complete line of appliances in which a manufacturer has an approved TVA model. If, for instance, a manufacturer has an approved TVA range model, all other models of its range, regardless of size or cost, may be obtained on EFHA customer-financing in territories served by TVA electricity.

One chain grocery concern, thinking to capitalize upon the "food hoarding" impulse, inserted 4 pink pages in a metropolitan daily urging housewives to stock up. Emphasis was notably on lobster, tuna fish, shrimp. According to experts we have consulted the drought will have practically no effect upon lobster, tuna fish, or shrimp.

Even air conditioning gets some publicity from Richard E. Byrd's Antarctic expedition. An effort will be made by the explorer to bring back from the frigid zone live European penguins in a specially air-conditioned room on the *Jacob Ruppert*, according to word received by B. F. Sturtevant Co., suppliers of equipment used in the conditioning.

Not anticipated was a radical change in eating habits of passengers riding on air-conditioned trains of the Pennsylvania during the unusual heat this past summer. Foods usually associated with cool weather were suddenly in big demand in diners, though temperatures outside the trains ranged between 90 and 100 degrees. Sketchy lunches of salads, sandwiches, and iced drinks were crowded out by steak dinners, full course meals, pastries, hot soups, tea, and coffee. The average meal check jumped well ahead of previous summer levels.

Many cities are resorting to unusual methods in their efforts to extract taxes from retentive citizens, very often with good results. Memphis, Tenn., using newspaper ads, handbills, placards, the radio, and public speakers, boosted collections the first half of 1934 by $600,000 over last year. Detroit spent $29,000 to break its taxpayers' strike, by Aug. 10 had $5 millions more in its treasury and taxes paid on a third more parcels of property than in 1933. Tampa, Fla., has made record collections by allowing a 5% discount for payment of taxes now that are due in December. Friendly persuasion and personal calls have greatly helped collections in Wilmington, Del., and Pittsburgh, while a drive by the state's attorney's office in Cook County, Ill., increased remittances on delinquent personal property levies by 400% the first half of 1934 over the same 1933 period.

When John Morrell & Co., Ottumwa (Ia.) meat packer, entered the Chicago market with its Red Heart dog food it had to compete with over 200 brands. One of its bright minds suggested applying the principle of dietetics of humans to animals as well. A varied diet was developed, and to a beef base, cheese and fish were added to form the three different diets being merchandised today. Judging by sales, the dog world is grateful.

Promoters of a A Century of Progress originally hoped to get salvage from some of the furniture used through "second hand" sales, but indications are that the realization will exceed the anticipation. An eager demand has developed for pieces as mementos. The furnishings of the Trustee Lounge, graced by President and ex-President, by nobility, and by men and women of prominence, have the greatest celebrity value and already have been "spoken for" by so many that disappointments after their sale will be widespread. One woman has put in a request for the brushes and combs from the women's powder room. The numerous private clubs also are receiving requests for their furnishings.

A problem of disturbing proportions has arisen in the South through the reversion of over 12 million acres of forest land to public ownership in recent years because of tax delinquency. Removal of this land from the tax rolls has transferred the tax burden to other property. Over 60% of all land sold for taxes in 8 Southern states since 1926 is forest land, assessed at $50 millions. The Forest Service is now cooperating with the states in working out practical measures for coping with questions of how to stop the trend toward delinquency and land abandonment and what to do with reverted lands.

Shipping talk now has it that after the Cunard liner No. 534 (73,000 tons) is launched on Sept. 26 at the John Brown shipyards, Glasgow, a new sister ship soon will be started in the same slipway. In this connection it is pointed out that a second super-liner would cost less than the No. 534, estimated at $25 millions, because the builders would be able to make savings through experience with the first boat. Also, a sister ship would enable the Britishers to maintain a balanced weekly express service between New York and English and French ports.

BUSINESS WEEK

The Journal of Business News and Interpretation

SEPTEMBER 8, 1934

Fall Forecast

Business is in a funk. Business sentiment apparently is at the lowest point touched since February, 1933.

Examination of the factors breeding pessimism shows that most of them are worries over various things that perhaps are going to happen. The most discouraged men are those who feel that monetary, labor, tax, and business policies of the Administration are going to lead the country to eventual disaster. It is right and proper that we should be deeply concerned about these things, as citizens. But as business men, we have another job to do, and that is to plan for fall and winter operations.

For that highly practical purpose, then, suppose we temporarily give over worrying about the eventual fate of the nation, and focus our eyes on the near view.

What are the important business facts? Labor's pay is modestly better than last year, even taking higher living costs into account. Farm income is 20% greater—10% allowing for the increase in cost of things the farmer buys. Public expenditures, on construction and on relief, are larger than a year ago. Check of inventories shows that shelves are bare; there is no undigested mass of goods as there was last year at this time.

Next, suppose that instead of trying to conjecture what may happen in Washington we take a look at what has happened. Any review of developments of the past year will show that the Administration has moved preponderantly toward the right.

For example: the dollar now is on a modified gold standard, with gold being exported to balance foreign exchange. A year ago gold export was embargoed. The Securities Act has been modified, made less burdensome. Stock exchange regulation as finally drafted is acceptable to Wall Street, and its administration has been reassuring. Tax receipts are larger. Treasury policy looks orthodox. Modifications impend in NRA and AAA. In the Cuban tariff agreement, the Administration has taken a constructive step. The reopening of foreign markets to any substantial extent would go a long way toward repaying expenses of the New Deal.

Again, this is not to say that business men have not cause for concern over many of the utterances of Administration spokesmen, from the President down. But for the moment we are making the point that none of the trends business worries about can affect fourth-quarter business, and the second point that so far, at least, the Administration is more conservative than it talks.

Fundamental forces that were working for recovery a year ago persist without diminution. No financial liquidation is going on. Less real estate liquidation impends. The distortion between supply and demand in commodities has been corrected further. Business solvency has been strengthened by liquidation of debts, by appreciation of commodity prices, by earnings.

The banking situation is better; the banks can take care of any imaginable expansion of trade and industry. Legal machinery has been provided for compromising debts of corporations. In combination, the various things done for real estate have arrested the trend which two years ago suggested that every property supporting a debt would pass into the hands of creditors.

Examining, then, (1) the immediate business facts, (2) the actual course of events at Washington, and (3) the broad economic fundamentals, *Business Week* reaches the conclusion that business for the last quarter of this year will surely be as good as last year. It will be considerably better than it was last year if the fall weather dissipates some of the paralyzing pessimism of the dog days.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3–0700. Price 20¢. Subscription: $5.00 a year, U. S. A. and possessions. Foreign 30 shillings Cable code, Mcgrawhill

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